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FINANCIAL TIMES

World Business Newspaper http://www.FT.com TUESDAY SEPTEMBER 22 1998

Swedish elections
Lurch to the left threatens fiscal rigour
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Corporate headquarters
Whose purpose do they really serve?
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Space tourism
The final frontier for that weekend getaway
Technology, Page 13

Ireland
Peace and prosperity promise great times
Survey

WORLD NEWS

UK companies to challenge tobacco advertising ban

UK tobacco companies are to mount a legal challenge to the European Union ban on tobacco advertising, under which almost all advertising and sponsorship is to be phased out between 2001 and 2006. **Page 18; US campaign, Page 6**

Russia acts to calm investors
Mikhail Zadornov, Russia's acting finance minister, moved to defuse a bitter clash with foreign investors by revising plans to restructure the frozen domestic debt market. **Page 18**

Thousands in Malaysia protests
Malaysian riot police fired tear gas and water cannons at thousands of people protesting outside a court house against the detention of Anwar Ibrahim, the sacked deputy prime minister. **Page 7; Editorial Comment, Page 17**

EU official confident on growth
EU finance commissioner Yves-Thibault de Silguy said he expects the EU to be the strongest growing region in the world next year, despite risks posed by the Russian and Asian crises.

Germans tighten anti-terror net
German police said they tightened security at the Oktoberfest beer festival after the arrest of a suspected associate of Saudi dissident Osama bin Laden in the Munich area.

Ulster police make bomb arrests
Police hunting bombers who killed 29 people in the Northern Irish town of Omagh last month arrested 10 people in raids north and south of the Irish border.

Swedish PM confronts poll upset
Göran Persson, the Swedish prime minister, cancelled a visit to New York following his Social Democratic party's weak showing in Sunday's election. **Page 2**

Eurocrats face exam resit
Tens of thousands of budding "eurocrats" may be forced to resit their Brussels entrance exams after candidates were found checking the answers by mobile phone. **Page 3**

US sprinter dies at 38
American sprinter Florence Griffith Joyner, "Flo-Jo", winner of three gold medals at the 1988 Seoul Olympics, died at the age of 38 of a heart seizure. **Page 6**

IMF ponders capital flow controls
The International Monetary Fund said that controls on inward movements of capital could be a useful tool for some countries, reflecting doubt on opening economies prematurely to free flows of capital. **Page 9; Editorial Comment, Page 17**

Nigeria seeks support on debt
Abdulsalami Abubakar, Nigeria's new military ruler, will urge Tony Blair, Britain's prime minister, today to back efforts to reschedule his country's estimated $35bn external debt. **Page 9**

Monet snatched in Nice raid
Thieves stole a painting by Monet and another by Sisley on loan from the French state to a museum in Nice.

Rockefeller tops richest-ever list
A ranking of the 40 richest Americans of all time, compiled by American Heritage magazine, put John D. Rockefeller (1839-1937) at number one, with Microsoft founder Bill Gates at number five.

BUSINESS NEWS

Eurotunnel achieves sharp increase in operating profits

Eurotunnel, operator of the Channel tunnel, recorded a sharp increase in operating profits in the first half of 1998, helped by buoyant traffic levels and tight cost control. Adding in interest savings from last year's financial restructuring allowed it to achieve its first pre-tax profit, but this effect will not be repeated, the company said. **Page 19**

PolyGram Filmed Entertainment's fate was undecided as bidders for Europe's largest film producer and distributor were locked in talks with Goldman Sachs, which is handling the sale, after Friday's bidding deadline. **Page 21**

Kellogg, the troubled US cornflake company, announced the departure of North American chief Thomas Knowlton six days after shedding its European operations head. **Page 19**

Dresdner Bank and German insurance group Allianz announced a joint venture in asset management services and suggested they were considering further co-operation. **Page 21**

Lockheed Martin is on course for another clash with US regulators after announcing its $2.7bn agreement to buy satellite telecommunications company Comsat. **Page 19; Observer, Page 17; Lex, Page 18**

Société Générale de Surveillance of Switzerland, whose shares collapsed after a series of profit warnings, has named Max Amstutz as chairman. **Page 21**

Guidant, a fast-growing US medical technology company, has agreed to pay up to $850m for Sulzer Medica's heart pacemaker business. **Page 20**

Näckebro, Swedish real estate company, accepted a SKr3.36bn ($428m) takeover bid from larger domestic rival Drott. The deal will create Sweden's largest listed property group, with a combined portfolio of SKr22.8bn. **Page 21**

EMI, one of the world's largest music companies, saw its shares fall 61p to 335p after warning interim operating profits would be 20 per cent lower than in the first half of last year. **Page 19; Lex, Page 18**

Lafarge, French construction and building materials group, has paid $240m for Blue Circle Industries' South Africa unit. **Page 21**

Northern Telecom, leading telecoms equipment maker, is shutting down two plants in England as part of the layoff of 3,500 staff worldwide. **Page 10**

Alpha Credit Bank, Greece's biggest private bank, is to pay C£20.55m ($41.3m) for 75% of Lombard NatWest Bank, a Cyprus-based subsidiary of the UK's NatWest Group – the first Greek purchase of a bank in Cyprus. **Page 21; Observer Page 17**

Philippine Airlines has been granted a 60-day extension of its debt-servicing moratorium by the Securities & Exchange Commission. **Page 22**

Euro Prices
A comprehensive statistical guide to the euro currency zone, covering foreign exchange, bond and equity markets. **Page 25**

Facing the people: President Clinton shows his emotions during intense questioning in the videotaped testimony broadcast throughout the world yesterday

Clinton videotape reveals robust but evasive defence

President's evidence broadcast as he receives standing ovation for UN speech

By Gerard Baker and Richard Wolffe in Washington and Laura Silber in New York

President Bill Clinton was shown to have mounted a robust but often evasive defence of his conduct in the Monica Lewinsky scandal in four hours of videotaped interrogation broadcast yesterday.

The unprecedented transmission of Mr Clinton's testimony to the grand jury – given on August 17 – was broadcast at the same time as he delivered a speech on the fight against world terrorism at the United Nations.

In stark contrast to his often embarrassing evidence, Mr Clinton, looking composed but subdued, won a standing ovation from world leaders at the UN as he called for a worldwide effort to combat terrorism.

But US broadcasters concentrated on non-stop transmission of the video testimony, in which, under intense questioning about the intimate details of his 18-month affair with the former White House intern, Mr Clinton insisted he did not commit perjury when he denied having sexual relations with Ms Lewinsky.

He refused to answer detailed questions by prosecutors from Kenneth Starr's office of independent counsel about the exact nature of his relationship with Ms Lewinsky, admitting "inappropriate intimate contact".

Mr Clinton defended his strained legal definition of sex by claiming he had never touched Ms Lewinsky with an intention "to arouse or gratify" her – the definition he understood to have been the one used for the purposes of the Paula Jones sexual harassment case. He condemned his legal opponents as a right-wing conspiracy that sought to entrap him in the Jones case.

The tape revealed a president under intense pressure who occasionally snapped at his interlocutors but did not lose his temper. "I am not going to answer your trick questions," he told prosecutors at one point.

The House Judiciary committee also released more than 3,000 pages of supporting evidence for the independent prosecutor's case against the president. They included Ms Lewinsky's own account of the events, in which she contradicted the president's on several aspects.

In particular, she insisted Mr Clinton had indeed touched her during their sexual encounters and said they were alone at times in the Oval Office. She dated their first sexual encounter at November 1995 while she was still an intern. He said the contacts began in January 1996 after she had a paid White House job.

Although she denied Mr Clinton had ever asked her to lie under oath about their relationship, Ms Lewinsky told grand jurors of conversations she had with Mr Clinton about concealing their sexual relationship, discussions that could amount to obstruction of justice. "I told him I could always – I would always – deny it. I would always protect him," Ms Lewinsky said. She was then asked by a juror to recount what the president said. "I'm seeing him smile and I'm hearing him saying, 'That's good,' or something affirmative."

Mr Clinton said in his testimony he "absolutely never asked her to lie".

Key to president's fate, Page 6
Clinton urges UN, Page 9
Video highlights, www.ft.com

Japanese bank rescue deal falls apart

By Paul Abrahams in Tokyo

A deal aimed at stabilising Japan's banking system fell apart yesterday as the ruling Liberal Democratic party and opposition groups squabbled over what had been agreed.

The collapse of the plan, agreed last week and focused on the problems of the Long-Term Credit Bank of Japan, is a severe blow to the credibility of Keizo Obuchi, prime minister, who had been due to present it at a meeting today in New York with Bill Clinton, the US president. Dismayed markets generated a "triple sell" of stocks, bonds and currency. The Nikkei average of 225 leading shares tumbled 2.7 per cent to Y13,597. Government bond prices fell, with the yield on the benchmark 182nd 10-year bond rising 0.065 percentage points to 0.74 per cent. The Japanese currency weakened against the US dollar from Y132.7 to Y133.2.

After the markets closed, Fitch IBCA, the London-based ratings agency, downgraded Japan's long-term foreign currency rating from AAA to AA+, blaming the weak and deteriorating banking system, poor policy response by the Japanese government and mounting public debt. It warned gross debt would approach 110 per cent of gross domestic product this year.

The country's banks and other financial companies have bad debts estimated by Moody's, the US ratings agency, to be as high as Y151,370bn ($1,136bn).

At the heart of the squabbling are the LDP's assertions: that public money can still be injected into the troubled Long-Term Credit Bank of Japan without it being nationalised; that Y13,000bn of funds set aside to help ailing banks can still be used; and that the ministry of finance should keep its policy-making powers over the banking sector, or only be stripped of them after 2003. The opposition says none of these claims is in line with the agreement.

Obuchi's brother in probe, Page 7

Shares fall as investors seek safety in bonds

By Philip Coggan, Markets Editor

Profit warnings, concerns about the progress of Japanese banking reform and fears about the effects of President Clinton's video testimony combined to set off another volatile day on world stock markets, prompting investors to favour bonds over equities.

Bond yields fell to their lowest levels for decades in Germany, the US and the UK, as investors sought the safety of developed government bonds. The yield on the benchmark 30-year US Treasury bond dropped to 5.08 per cent in early trading, while in Germany, the yield on the 10-year bund hit a new post-war low of 3.85 per cent.

The equity sell-off started in Asia, with the Nikkei 225 average falling to its lowest for 12 years, after a rescue plan for the Long-Term Credit Bank of Japan collapsed.

European stock markets were lower from the start and were hit during the day by profit warnings at EMI, the UK music company, and Philips, the Dutch electronics group.

The warnings, which came on top of similar statements last week from Alcatel, the French telecoms group, and Royal Dutch/Shell, the oil giant, reinforced fears that European corporate profits were coming under pressure from the slowdown in emerging markets.

The CAC 40 share index in Paris fell 3.5 per cent and the DAX in Frankfurt 4 per cent, while the Amsterdam stock market fell 5.9 per cent. In London, the FTSE 100 index fell 65.3 to 4,990.3, having been as much as 156 points lower.

On Wall Street, with many traders away for the Jewish New Year holiday, the Dow Jones Industrial Average opened down 175 points. However, with little new emerging in the Clinton testimony, the market rallied, and about an hour before the close it was down 13 points at 7,882.

Latin American markets continued to be nervous in early trading, although Pedro Malan, the Brazilian finance minister, said the government would not impose restrictions on capital outflows or devalue the real.

Spectre of deflation, Page 17
Lex, Page 18
Europe feels the pinch, Page 19

Philips shares slide on profits warning

By Gordon Cramb in Amsterdam

Shares in Philips, Europe's largest consumer electronics group, slid 17 per cent yesterday – back to their level of early 1997 – as it warned profits would be flat this year and called into question its future in mobile phones.

The company accompanied its announcement by saying it planned to buy back about 8 per cent of its equity, starting before the end of the year. At last night's closing price of Fl 82 the repurchase programme would cost some Fl 2.4bn ($1.2bn). A buyback had been expected since Philips agreed to sell PolyGram, its entertainment subsidiary, to Seagram of Canada in May for $10.4bn. The shares, which peaked at Fl 204.30 that month, have halved since.

Cor Boonstra, the Dutch group's president, yesterday foreshadowed a possible further shake-out in the organisation by saying it was "examining all options" for Philips Consumer Communications, its operation making telephone handsets.

Philips said late last month that PCC, a 60 per cent-owned joint venture with Lucent Technologies of the US, would not break even this year. Yesterday it said the unit would show a "significantly higher loss". With Lucent it was undertaking an evaluation, results of which would be made known when Philips releases its third-quarter results in a month.

PCC's problems have been blamed on a delay in launching new mobile models. Philips came late to a mobile business dominated by Motorola, Nokia and Ericsson. Analysts expect a sale of the division to one of the big three or to a group like Siemens.

Apart from PCC, Philips said it was suffering from depressed income in display components and lower margins on semiconductors. These would together produce a significant decline in third quarter earnings. For the full year it expected income from normal business operations "at about the same level as in 1997".

Philips had previously been forecasting double-digit earnings growth. It made record net profits of Fl 3.29bn last year, on top of which it took a Fl 2.44bn extraordinary credit on disposals. Yesterday it said the PolyGram sale, to be completed by early November, would "generate a very large extraordinary gain".

Mr Boonstra said the group was continuing to reduce costs while upgrading its information technology infrastructure and investing in the Philips brand. "These are part of the fundamental and lasting changes we are making on the way to a simpler, lower cost and high performance organisation."

Lex, Page 18
EMI shares fall, Page 19

WORLD MARKETS

STOCK MARKET INDICES		
New York: Lunchtime		
Dow Jones Ind Av	7801.88	(-93.98)
NASDAQ Composite	1648.57	(-13.90)
Europe and Far East		
CAC40	3342.85	(-122.57)
DAX	4433.67	(-164.71)
FTSE 100	4990.3	(-65.3)
Nikkei	13,597.20	(-385.82)
US Lunchtime RATES		
Federal Funds	5.438%	
3-mth Treas Bill: Yld	4.802%	
Long Bond	105¾	
Yield	5.089%	
OTHER RATES		
UK: 3-mo Interbank	7½%	(7⅝)
UK: 10 yr Gilt	117.2188	(117.288)
France: 10 yr OAT	109.33	(109.39)
Germany: 10 yr Bund	110.16	(110.22)
Japan: 10 yr JGB	115.05	(114.98)
NORTH SEA OIL (Argus)		
Brent Dated	$14.31	(13.97)

GOLD		
New York: Comex		
Sep	$288.5	(291.2)
London:		
	$292.05	(290.05)
EXCHANGE RATES		
Dollar		
New York: Lunchtime		
£	1.6845	
DM	1.68255	
FFr	5.6440	
SFr	1.3837	
Y	133.45	
London:		
£	1.6839	(1.6851)
DM	1.6828	(1.6915)
FFr	5.6419	(5.6718)
SFr	1.3837	(1.3914)
Y	133.43	(132.825)
Tokyo Close		Y 133.005
Sterling		
DM	2.8333	(2.8503)

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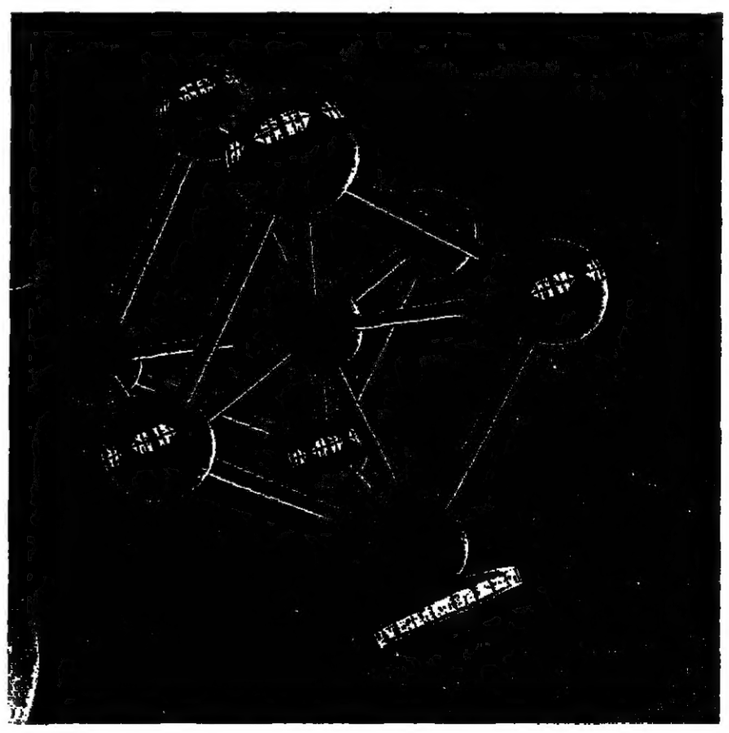

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WORLD NEWS

EUROPE

SWEDISH ELECTION RESULTS PERSSON BEGINS TALKS WITH OPPOSITION LEADERS IN ATTEMPT TO FORM MINORITY GOVERNMENT

SDP leader cancels New York visit

By Tim Burt in Stockholm

Göran Persson, the Swedish prime minister, yesterday cancelled a visit to New York to discuss the so-called "Third Way" agenda with President Bill Clinton and Tony Blair, the British prime minister, following his Social Democratic party's weak showing in Sunday's general election.

Mr Persson decided to remain in Stockholm after seeing support for the ruling SDP fall to its lowest level in 70 years, in the face of strong gains by the former communist Left party and centre-right Christian Democrats.

The prime minister, who vowed not to resign or seek a coalition between the SDP and any other party, yesterday initiated talks with a number of opposition leaders in an attempt to secure parliamentary support for a new minority government.

Fears that the SDP would have to rely on the Left – which favours increased public spending and opposes Swedish participation in European economic and monetary union – yesterday hit financial markets as the krona and shares prices fell, while bond yields rose by up to 17 basis points.

The krona weakened from SKr4.62 to SKr4.74 against the D-Mark; the Stockholm Affärsvärlden index fell by more than 3 per cent.

Carl Bildt, leader of the main opposition Moderate party, warned: "We will be saddled with the weakest government in Europe depending on an unstable relationship with leftwing factions." Although he admitted the Moderates could not form an alternative; non-socialist coalition, Mr Bildt said he was considering a vote of no-confidence in the SDP if it failed to form a workable administration.

Erik Asbrink, the country's finance minister, tried to reassure economists and the financial markets that the election result would not derail the government's economic strategy.

Mr Asbrink said in an interview that preparations for Sweden's October 13 budget would continue under a broad SDP strategy of ensuring sustained economic growth and preserving a current account surplus.

He emphasised, moreover, that the Left – headed by a triumphant Gudrun Schyman – could not force the SDP to tear up three multi-party agreements to which it is opposed.

They include a three-year public expenditure ceiling, greater independence for the central bank and pension reforms.

"These measures will make it much more difficult for a party to increase spending without financing it by reducing other expenditure," said Mr Asbrink.

He acknowledged that negotiations with the Left and the Greens could lead to "short-term difficulties" but insisted that the government could also co-operate with other parties.

Ms Schyman lost no time yesterday preparing for those negotiations, proposing a referendum on Sweden's entry into the euro zone.

Social Democrats' battering sends a shudder through Swedish business

Persson will have to reconcile leftwing demands for more public sector jobs and benefits with his commitment to fiscal rigour. Tim Burt and Greg McIvor report

Street cleaners in Stockholm yesterday hurriedly removed campaign posters around the city, tossing placards into the back of a truck. The slogan on one – a poster for the ruling Social Democratic party obscured by muddy footprints – read simply: "With care for the future".

That promise has been jeopardised by the SDP's disastrous showing in Sunday's general election, in which the party that has ruled Sweden for 57 of the last 66 years saw its support fall to its lowest level since the first world war.

Although the party emerged as the largest parliamentary group, it lost almost 20 per cent of its seats in the Riksdag – most of them to the Left party, which saw its share of the vote double to 12 per cent.

The result undermines the authority of Göran Persson, the prime minister and SDP leader, who campaigned on a ticket of prudent economic management and modest public spending increases.

SDP officials yesterday signalled that the party would form a minority administration, most likely relying on parliamentary co-operation with both the Left and small Green party.

This prospect has caused considerable unease among Sweden's centre-right parties and many Stockholm-based economists, who yesterday warned that the Left's ascendancy would put a brake on labour market and tax reforms, and further delay any Swedish decision on participation in European economic and monetary union.

"This is a negative result for the business climate of Sweden and raises major questions over the future direction of the economy," said Krister Andersson, a senior economist at Skandinaviska Enskilda Banken in Stockholm.

Given that both the Left and the Greens oppose Swedish membership of the European Union – let alone joining the single currency – several analysts also predicted that the country could become isolated on the fringes of the EU.

Suggestions, however, that the political map of Sweden has been redrawn may prove wide of the mark.

The Social Democrats were certainly abandoned by large numbers of voters disenchanted with its austere public spending policies over the past four years.

But they will continue to dictate the overall direction of Swedish politics, albeit constrained by the looser fiscal and welfare policies of the Left.

"From the market point of view it is probably the worst outcome, but it is not a disaster provided fiscal prudence is maintained," said Carmen Nuzzo, Nordic economist at Salomon Smith Barney in London.

She said Mr Persson would collaborate with the Left and Greens initially, but predicted he could also win support from centrist parties on key issues such as the budget.

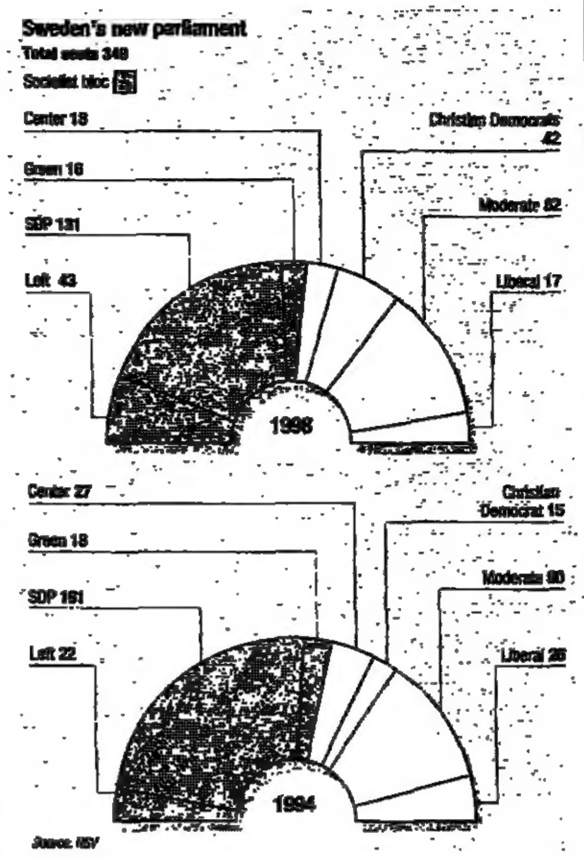
Nevertheless, Mr Persson will find himself under pressure – from inside his own party as well as outside – to shift leftwards. And the prime minister has already vowed to work harder to promote "social justice".

Meanwhile, the Moderates, while scoring strongly among Sweden's first-time voters, failed to capitalise on Mr Persson's discomfort. Their promises of lower income taxes and labour market deregulation misread the public mood in a country where the state employs more than 30 per cent of the workforce and where punitive taxes are seen as the acceptable price of generous state welfare.

The battle for the centre-ground of Swedish politics was won by the Christian Democrats, championing family values and cleaner politics. That tactic proved effective, particularly among voters angered by a spate of local government scandals in recent years.

But given the dreadful results polled by the Centre and Liberal parties, the potency of a non-socialist alliance including the Moderates and Christian Democrats looks doubtful.

That will be little solace to Mr Persson. He would prefer to seek support from the centre, as he has for the past four years, but must now depend on two parties clamouring for more public sector jobs and higher welfare benefits. Reconciling those demands with the SDP's commitment to fiscal rigour will be no easy task.



GUDRUN SCHYMAN KINGMAKER ROLE

Jubilant Left draws up list of demands

By Greg McIvor in Stockholm

"We have written history," Gudrun Schyman told cheering supporters late on Sunday night as the leader of Sweden's Left party hailed the former communists' record general election result.

In its best performance since its foundation in 1921, the Left won 12 per cent of the vote – almost double its share in the 1994 election – and enough to make Ms Schyman a political kingmaker.

The 50-year-old grandmother and former social worker savoured her emergence as the election's big winner well into the night. But yesterday she began preparing for talks with Göran Persson, the Swedish prime minister and Social Democrat leader, over parliamentary collaboration between their two parties.

Ms Schyman started the day by calling for a referendum next year on Swedish participation in European economic and monetary union. The Left is vehemently opposed to the single currency and wants the country to leave the European Union if voters reject Emu.

Ms Schyman is also likely to press Mr Persson to increase public sector spending to fuel job creation. She has called for the restoration of 100,000 public sector jobs cut during the 1990s, adoption of a 35-hour working week and higher state welfare benefits.

Although the Left favours tax breaks for middle and low income earners, other key demands include a surcharge on company profits above a certain level and higher wealth taxes.

Such policies have made Swedish business leaders deeply suspicious of Ms Schyman. A leading economist yesterday described her as "politically opportunistic and fiscally irresponsible".

The Left leader is used to barbed comments. Her supporters retort that she has displayed political pragmatism by moving the Left gradually rightwards since taking over the leadership in 1993.

A Marxist/Leninist during her youth, Ms Schyman has repositioned the party as a radical, feminist group campaigning for better welfare and redistribution of income but not immune to private sector concerns.

As a result, she has torn votes away from the ruling party. Carl Bildt, the Moderate party leader, said yesterday that the prime minister's "dilemma is that Gudrun Schyman represents his voters better than he does".

Gudrun Schyman with Alf Svensson of the Christian Democrats AP

BANGLADESH Flood Disaster

This is Alaya Begum, she is 10 years old. She is one of 30 million people whose lives have been shattered by the floods which have devastated Bangladesh in recent weeks.

She stands beside the water which has washed away her home and now covers her family's farmland. They have nothing left.

Countless numbers are gathering in makeshift camps. Disease is rife. Food is short. People are dying.

Children weakened by disease and malnutrition will not survive unless they receive food, clean water and medicine. And unless families are able to replant, to replace their ruined crops, they face the prospect of starvation.

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Yes, I want to help families survive in Bangladesh

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NEWS DIGEST

ITALIAN GROSS DOMESTIC PRODUCT

Data confirm sluggish second quarter growth

Italy's sluggish rate of growth was confirmed yesterday by second-quarter data showing only a slight rebound in the economy. As the Italian government prepares to unveil a budget this week to stimulate the economy and employment, it emerged that Italian real gross domestic product grew 0.4 per cent in the second quarter against the first three months of 1998.

The quarter-on-quarter figure suggests a pick up in economic activity after the 0.1 per cent contraction in GDP between January and March of this year. But analysts picked out a range of unsettling signs in the data, including reduced growth in gross fixed investments and a surprising weakness in the construction industry.

The data will increase pressure on the government to try and stimulate the housing market next year. Tax breaks for first-time homebuyers are already expected to appear in this week's budget. **James Blitz, Rome**

TURKISH TAX MEASURES

Proposals disappoint investors

Mesut Yilmaz, the Turkish prime minister, yesterday unveiled measures to lighten the tax burden on investors on the Istanbul stock exchange. But his announcement, part of efforts to shore up investor confidence in the country's turbulent capital markets, fell short of expectations that he would postpone a capital gains tax. Over the last two months, the country's leading stock market index has fallen by more than 50 per cent.

Mr Yilmaz's measures include tax exemptions for investment funds, a reduction in banking and insurance taxes payable by brokerage firms, and the elimination of a withholding tax on equity dividends. The period during which shares have to be held before they are exempted from tax has also been cut from one year to three months.

However, Mr Yilmaz did not meet the brokers' chief demand – to postpone a capital gains tax on stockmarket profits. The tax, which was initially announced in July, is still scheduled to be introduced in 2000.

The leading stock market index fell 6 per cent yesterday in anticipation of disappointing measures. The index had risen 18.5 per cent on Friday, after Mr Yilmaz had announced his intention to "lighten the burden on brokerage firms". **Christopher de Bellaigue, Ankara**

BSE OUTBREAKS

Brussels criticises Lisbon

Portugal has been asked to provide a full explanation to the European Commission, the European Union's executive, after an alarming rise in outbreaks of BSE or "mad cow disease".

Lisbon has until Friday to respond to criticisms by EU veterinary experts of Portugal's implementation of controls to fight the spread of a disease, which has been linked to CJD, a fatal illness affecting people.

Franz Fischler, EU farm commissioner, said yesterday that he could not exclude the possibility of banning beef exports from Portugal. Officials said another possibility was that the Commission could take legal action against Portugal if its response was inadequate.

The emergence of problems in Portugal coincides with a marked decrease in BSE in the UK, which has suffered the highest number of cases at about 170,000. Portugal's BSE problems are small, so far, in comparison with the UK's **Michael Smith, St Wolfgang, Austria**

LONG-HAUL JETS

Airbus set for Iberia order

Airbus is set to obtain a provisional order worth more than $1bn from Iberia, the Spanish state-controlled airline, to renew its fleet of long-haul jets. The decision, due to be announced today, marks Airbus's second Spanish victory this year in competition with Boeing of the US following an order in February worth more than $2.5bn for short and medium-haul aircraft.

The new order is expected to involve 11 Airbus A340 aircraft but is conditional on the outcome of negotiations between Iberia and the Spanish pilots' union Sepla. The airline has warned the pilots that the current dispute on pay could make some long-distance routes unviable. The order will complete a switch by Iberia to Airbus, in which the Spanish state-owned aerospace company Casa holds a 4.2 per cent stake. **David White, Madrid**

ETA CEASEFIRE

Madrid urges disarmament

The Spanish government yesterday called on Eta, the armed Basque separatist organisation, to go further than the ceasefire it began last week and agree to abandon its arms.

Josep Piqué, government spokesman, said a real peace process would start only when Eta handed over its weapons and disbanded. He said it was up to Eta and not the government to make gestures.

His remarks followed a meeting in Madrid between José María Aznar, prime minister, and Joaquin Almunia, secretary-general of the Socialist opposition party. Mr Piqué said the two had "agreed on the fundamentals" of how to approach Eta's ceasefire initiative. **David White, Madrid**

Financial Times Surveys

Logistics

Tuesday December 1

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FINANCIAL TIMES
No FT, no comment.

FINANCIAL TIMES
Published by The Financial Times (Europe) GmbH, Nibelungenplatz 3, 60318 Frankfurt am Main, Germany. Telephone ++49 69 156 850, Fax ++49 69 596 4481. Represented in Frankfurt by J. Walter Brand, Colin A. Kennard as Geschäftsführer and in London by David C.M. Bell, Chairman, and Alan C. Miller, Deputy Chairman. The shareholder of the Financial Times (Europe) GmbH is Pearson Overseas Holdings Limited, 3 Burlington Gardens, London, W1X 1LE. Shareholder of this company is Pearson plc, registered at the same address.

GERMANY:
Responsible for Advertising content: Colin A. Kennard. Printer: Hürriyet International Verlagsgesellschaft mbH, Admiral-Rosendahl-Strasse 3a, 63263 Neu Isenburg. ISSN 0174-7363. Responsible Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.

FRANCE:
Publishing Director: P. Maravigha, 42 Rue La Boetie, 75008 PARIS. Telephone (01) 5376 8254, Fax (01) 5376 8253. Printer: S.A. Nord Eclair, 15/21 Rue de Caire, F-59100 Roubaix Cedex 1. Editor: Richard Lambert. ISSN 1148-2753. Commission Paritaire No 67808D.

SWEDEN:
Responsible Publisher: Bradley P Johnson. Telephone +46 8 791 2345. Printer: AB Kvällstidningen Expressen, PO Box 6007, S-550 06, Jönköping.

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Banks cut euro-zone forecasts despite assurances from ECB

ECB watch

By Wolfgang Münchau, Economics Correspondent

Leading international banks have downgraded their economic forecasts for the euro-zone – the 11 European countries that will switch over to the single currency next year – as a direct result of the international financial crisis.

Goldman Sachs, Salomon Smith Barney and Deutsche Bank have all revised downward their previous expectations for economic growth because of the growing international uncertainty.

The revisions come despite repeated assurances by senior officials of the European Central Bank (ECB) in Frankfurt and various national central bank governors, who said that Europe would be well insulated from the financial turmoil.

Salomon Smith Barney wrote to its clients at the end of last week: "We have cut significantly our GDP growth and inflation forecasts for 1999 due to the weakening external environment and the likely appreciation of the euro versus the dollar." Salomon Smith Barney cut its forecast of growth in the euro-zone's gross domestic product in 1999 from 3.2 per cent to 2.6 per cent.

Goldman Sachs warned there was evidence of a slowdown in GDP growth during the second half of this year. "Should the impact of the international shock be large enough to slow growth below potential, the decline in unemployment would come to an end and the recovery in consumption would be short-lived." Deutsche Bank has also cut its 1999 growth forecast – from 3.1 per cent to 2.6 per cent.

All three institutions now expect short-term euro-zone interest rates will converge at the current prevailing securities repurchase rate of Germany and France – 3.3 per cent. They also assume that the rate will remain at this level throughout 1999.

Deutsche Bank economists say the forecast could be subject to further downward revision in the absence of an economic recovery in Japan or if the US economy experiences a sharp slowdown.

A big factor in the downward revision of growth is the exchange rate. Avinash Persaud, foreign exchange economist at J.P. Morgan in London, said: "The rally in the dollar from DM1.50 two years ago to DM1.80 was the engine of European growth. The current reversal in the exchange rate must be a cause of major concern for policymakers." He forecasts a year-end rate of DM1.60, compared with a current rate of close to DM1.70. He said European exports would be hit significantly if the rate fell below DM1.60.

The US Federal Reserve is now considered to be the only large international central bank with sufficient headroom to cut interest rates. European central bankers have sent a strong signal that they do not plan to cut European interest rates at this point. As a result, the Fed could wield a stronger influence on the euro exchange rate and the euro-zone growth rate than the European Central Bank.

Personal View, Page 16

Economic indicators for euro-11 countries

	Jul 1998	Jun 1998	May 98	Apr 98	Mar 98	Feb 98	1997	1996
Inflation (annual % change)†	1.4	1.4	1.4	1.4	1.2	1.2	1.6**	2.2**
Unemployment (%)	11.1	11.2	11.3	11.3	11.3	11.4	11.6	11.6
Trade (Ecu bn)								
Exports	n/a	n/a	n/a	67.5	71.3	63.3	758.6	667.7
Imports	n/a	n/a	n/a	60.0	63.5	58.1	668.3	594.2
Trade balance	n/a	n/a	n/a	7.4	7.8	5.2	90.2	73.5

	Feb-Apr/ Nov-Jan	Jan-Mar/ Oct-Dec	Dec-Feb/ Sep-Nov	Nov-Jan/ Aug-Oct	1997	1996
Industrial production (%) (3 mo over previous 3 mo)	1.1	1.1	1.1	1.0	4.1††	0.0††

	Q1 1998	Q4 1997	Q3 1997	Q2 1997	1997	1996
GDP growth (%) Over same quarter last year	3.6	3.1	2.7	2.9	2.5	1.6

* provisional ** estimated † estimated due to Ireland, for which quarterly index numbers for 1995 and 1996 were used to estimate the monthly ones
†† annual % change
Source: [illegible]

Torn between politics and economics

Ireland, more than any other prospective participant in the single currency, is battling to reconcile the conflicting demands of maintaining a sound economy and joining a club. **John Murray Brown** reports

Living with the euro

The big blue notices dotted around Ireland's motorways, waterworks and rail links are testimony to the benefits the country has reaped from the EU and its persuasive power in winning the most aid per capita of any member state.

But despite the large sums of EU infrastructure funding to which these signs attest, the central aspects of the relationship with Europe are increasingly becoming a source of concern. As the governing coalition prepares to join the single currency, doubts have surfaced about Ireland's ability to meet the exacting financial conditions of membership.

Across all parties, there is a recognition that joining the single currency is a political not an economic exercise. For it is only by deepening ties within the EU that Ireland has been able to lessen its dependence on the UK, its former ruler and largest trading partner.

Yet more than any other prospective participant in the project, Ireland now finds itself torn between what is sound economic policy and what is required to join the club.

Worries about inflation have reappeared just as Ireland is surrendering its control over monetary policy – one of the main policy tools for combating inflation.

At a time when the economy is growing at over 8 per cent – when logic should dictate that rates are raised to stifle demand – the Central Bank of Ireland is having to cut interest rates to bring them in line with the prevailing rates in the euro-zone.

The government is also committed to lower taxes as agreed under the three-year wage accord with unions which links moderate wage claims with tax cuts and has been the foundation stone of its anti-inflation policy for over a decade.

The country's biggest union, SIPTU, is vociferously calling for the government to meet outstanding commitments of more than I£300m ($444m) in tax cuts this year, and the issue is set to dominate the political agenda this autumn.

As a result, some economists worry the government has not prepared public opinion for the difficulties ahead.

All the signs are the economy is already overheating. The housing market is booming, with asset prices in Dublin up 40 per cent over the last year. Consumer credit growth is at record levels.

The danger is that interest rate cuts combined with tax cuts in the budget could fuel inflation, which has already edged up to 3.2 per cent in the year to August, its highest in six years.

Government officials remain sanguine. They say that rather than simply matching domestic demand, current interest rates are relatively high because of a premium reflecting the market's concerns over the economy's small size and peripherality. Long-term rates are already close to their counterparts on the continent and Dublin expects that once the euro has formally arrived, the premium will diminish.

Officials say that in any case, there is much less connection between domestic inflation and demand than in larger less open economies.

Worries about inflation have reappeared just as Ireland is surrendering its control over monetary policy

Dermot O'Brien, economist at NCB brokers in Dublin, says the recent rise in inflation was a response to an increase in the cost of imported goods rather than to any change in domestic demand.

As a result, although prices may vary in the future because of the exchange rate with other currencies, particularly the UK pound, interest rates may lack the predominant role in combating inflation that they have in other countries.

And while wage inflation may be stoked up by some shortages in the construction and IT sectors, Ireland may benefit from belonging to a much wider labour pool.

Construction companies are already looking to the UK for workers, while IT companies are recruiting across the EU.

Partly as a result, the workforce available in Ireland is expanding.

Although Ireland's open economy and its growing labour supply may insulate it from some of the effects of a plunge in short-term interest rates, the room for policy errors remains limited.

The government may be on strong ground when it argues that the worst-case argument about inflationary pressures is overstated. But the calls for tax cuts are so vociferous, and the case for fiscal tightening so little understood when the economy is doing well, that a steady hand will be needed if the country is to continue reaping the full benefits of its close ties with Europe.

Brussels in row over bungled 'eurocrat' exams

By Neil Buckley in Brussels

Tens of thousands of budding "eurocrats" may be forced to resit their Brussels entrance exams after candidates in some centres were found checking the answers by mobile phone, while hundreds of others were sent to the wrong address.

The European Commission conceded it might have to cancel the results of some or all of the 30,000 candidates who took part in last week's *concours* or recruitment contest, in 38 centres across Europe, amid allegations of cheating, leaked questions, and official bungling.

The examinations were the first stage of a selection process to pick out the EU foreign policy experts, lawyers, and economists of tomorrow. But a catalogue of problems has been reported:

- In Milan, the exam started an hour late after hundreds of candidates went to the wrong address.
- In Rome, proceedings were suspended for two hours while more exam papers had to be photocopied. At least one candidate contacted local police to investigate irregularities after candidates were able to confer between different parts of the exam. Some were rumoured to have been leaked copies of the questions the night before.
- In Brussels, candidates were able to use mobile phones outside the exam room while the exam was still in progress.

"The potential for cheating was really incredible," said one candidate. "Suddenly there was a wave of people going to the toilet. Lots of people were using their mobile phones, calling friends, Commission officials, whoever."

A Commission spokeswoman yesterday said the number of complaints had been small. "People need to go to the bathroom and they have the right to do that, I think," she added. But Brussels was investigating to see if there was evidence of widespread cheating or questions being leaked, she said.

IMF in warning on Emu risks

By Stephen Fidler in Washington

The International Monetary Fund warned yesterday about the increased risk of financial crisis in Europe following monetary union, and said the European Central Bank did not have all the tools to handle such a crisis.

In its annual report on international capital markets, the IMF said that in the early years of monetary union "there might be several tendencies for systemic risks to increase temporarily." It said the role of lender of last resort had not been assigned to any single institution under monetary union. "Consequently, there is no central provider or co-ordinator of emergency liquidity in the event of a crisis."

Nor, it said, did the ECB have the tools needed to assess creditworthiness or to support "solvent but illiquid institutions".

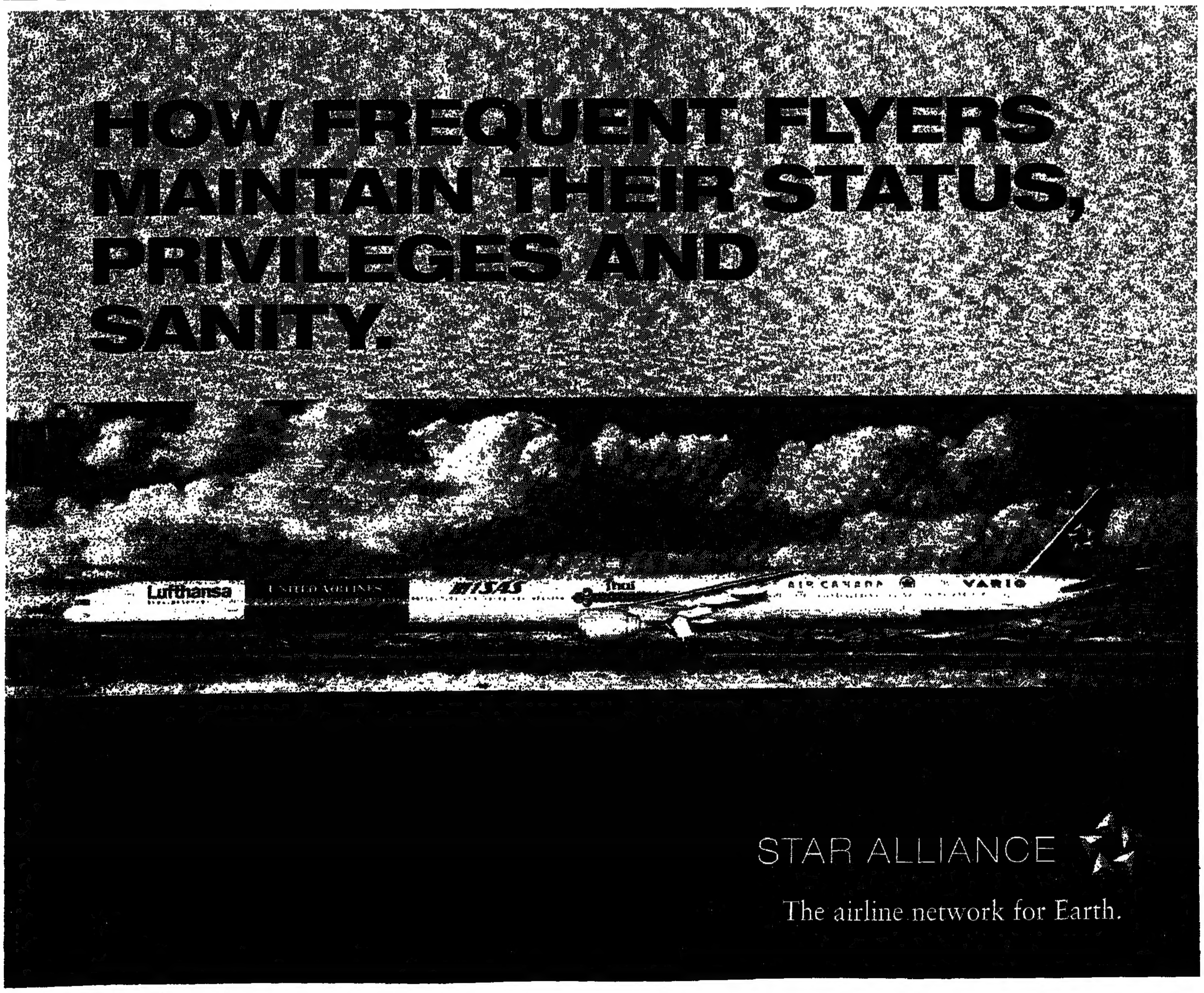
The report noted that the ECB statute was similar the Bundesbank's, but there were several reasons why the German example "might not be immediately applicable in the event of a crisis within Emu."

First, like the Bundesbank, the ECB had no lender of last resort function. But under the European system there was no analogue of Germany's Liquidity Consortium Bank to provide liquidity.

Second, even if such institutions existed in the Emu context, they would "seem inadequate in relation to the size and the cross-border systemic implications of a liquidity crisis involving a major pan-European banking group".

Third, the current information sharing agreements between the ECB and national supervisors would not give the ECB the same authority as the Bundesbank in brokering a solution to an EU level banking crisis.

IMF admits drawbacks, Page 9



Far-right hopes to gain in east German state poll as main parties brace for an awkward outcome

Rightwing parties hope to capitalise on growing frustration in the east. **Frederick Stüdemann** reports

Eyes on the right: National Democratic party supporters marched through the Rostock suburb of Dierkow on Saturday AP

Good Germans do not drink or smoke in public. So, at least, says the far-right National Democratic party (NPD), which is trying to present a clean-cut, sober face to its well organised campaign in the north-eastern German state of Mecklenburg-Vorpommern, where state elections are due on Sunday, the same day as the national election.

On marches, such as the gathering at the weekend of more than 4,000 NPD supporters in a dreary housing estate in Rostock, the biggest industrial city in the state, the party keeps its members on a short leash.

The columns of mostly young men, the majority with closely cut hair and dressed in black, militaristic gear, walk and chant in clipped unison. Officials with mobile phones make sure the ranks of skinheads keep in line.

Mecklenburg-Vorpommern's weak, largely agrarian economy and high unemployment have made the state a target for far-right parties, which believe they can capitalise on east German frustrations with the pace of reconstruction following unification with the west.

Earlier this year the far-right demonstrated its ability to tap such frustrations, particularly among younger voters in the east, when the German People's Union (DVU), another far-right party, scored 13 per cent support in state elections in Saxony-Anhalt.

The various far-right parties appear to offer a similar mix of policies, such as opposition to foreigners and the future European single currency, the euro, and a tough stance on law and order. On closer inspection, however, there are differences. While the DVU professes loyalty to the German constitution and aims to attract middle-class voters, the NPD is more aggressive. The party describes itself as a revolutionary, "national socialist" force committed to overturning Germany's post-1945 political and economic institutions.

Opinion polls suggest the far-right has little chance of scoring 5 per cent of the national vote, the minimum required for representation in the federal parliament. In Mecklenburg-Vorpommern, however, there is a possibility that the NPD or the DVU will make it into the state parliament. Polls show support for the two parties hovering around 5 per cent, but poll analysts say these may be misleading as respondents are often coy in declaring their support for radical parties. Opinion polls in the east have in any case proved unreliable in the past.

Whether or not the far-right make it into the Mecklenburg-Vorpommern state parliament, the result looks set to be an unhappy one for Germany's two main political parties – Chancellor Helmut Kohl's Christian Democrats (CDU) and the Social Democratic party (SPD) – which are finding it increasingly difficult to form effective majority state governments in the east.

The reason is the poor performance of the liberal Free Democratic party (FDP) and the Greens, the traditional junior coalition partners of the CDU and the SPD, and the strong showing of the Party of Democratic Socialism (PDS), the former communists. In both Saxony-Anhalt and Mecklenburg-Vorpommern the FDP and Greens have failed to win enough votes to get into parliament while the PDS has been strong enough to hold the balance of power.

In Mecklenburg-Vorpommern's last state elections in 1994 this situation produced a CDU-led coalition with the SPD. Opinion polls suggest that on Sunday the SPD will emerge as the strongest party but that it will still face the awkward choice of going back into a coalition or coming to some arrangement with the PDS. At national level the SPD rules out deals with the PDS. But at state level in the east the SPD has come to arrangements with the former communists. In Saxony-Anhalt, where coalition negotiations between the SPD and CDU broke down, the Social Democrats now run a minority government with the "tolerance" of the PDS.

A similar arrangement may occur in Mecklenburg-Vorpommern where relations between the SPD and the CDU are hampered by the acrimonious nature of the present government and in particular the personal antipathy between the respective leaders of the two parties, Harold Ringstorff and Bernd Seite, the current premier.

Mr Ringstorff says he is keeping his options open and that he will not be bound by concern within the national SPD about the PDS. "The decisions about governing alliances are decided on the ground," he says.

The CDU accuses Mr Ringstorff of putting power ahead of responsibility. Jürgen Seidel, CDU economics minister, warns of "catastrophic developments for the economic reconstruction of the state" if the PDS is allowed a voice in government. His claim is based on a PDS paper which sets out conditions for negotiations with the SPD and calls for increased public spending to create jobs and the cancellation of a motorway project intended to provide a major east-west transport link across the state.

Editorial comment, Page 17

Russian presidential contender falls ill

By John Thornhill in Moscow

Grigory Yavlinsky, the shining light of Russia's liberal movement and a leading presidential contender, was in hospital yesterday recovering from severe chest pains and is unlikely to be released for another two days.

His absence from the political scene comes at a critical time as Yevgeny Primakov, prime minister, completes the formation of his government and tries to set the country on a new course.

Mr Yavlinsky, 46, who first publicly proposed Mr Primakov as a prime ministerial candidate, has seen his political fortunes rise in recent weeks, drawing support from some of Russia's most powerful business leaders.

An opinion poll by the VTsIOM polling agency over the weekend, showed Mr Yavlinsky, leader of the Yabloko party, closing the gap on other presidential contenders. Mr Yavlinsky won 12 per cent support putting him just behind Yuri Luzhkov, Moscow's populist mayor, with 13 per cent. Gennady Zyuganov, the Communist party leader, and Alexander Lebed, the general-turned-governor of the Siberian region of Krasnoyarsk, came out top with 17 per cent apiece.

A former amateur boxer who appeared to be in robust health, Mr Yavlinsky was taken ill last Friday and admitted himself to hospital. His condition was "satisfactory" according to the Yabloko press service.

Earlier on Friday, Mr Yavlinsky had warned of a "very deep moral crisis" which had to be resolved by the country's leadership if Russia were to avoid civil unrest.

"Revolutions in this country happen not when there are economic crises but when, as in 1917 and 1991, people reject power and say No to the authorities," he said in an interview with the Financial Times.

Mr Yavlinsky said he had rejected an offer by Mr Primakov to join the government as deputy prime minister in charge of social affairs. Mr Yavlinsky said he did not want to be an isolated "decoration" in the cabinet and would only join the government alongside a team of 10-15 Yabloko MPs, who could make a real difference to economic reforms.

Mr Yavlinsky, who came fourth in the first round of the 1996 presidential elections, said he was aiming to double Yabloko's representation in Russia's 450-seat parliament to about 100 seats in next year's elections.

EU making plans for food aid to Russia

By Michael Smith in St Wolfgang, Austria

The European Union is preparing for the growing likelihood that Russia will request food aid to help it out of its political and economic difficulties.

An assessment of Russia's problems by the European Commission's agriculture directorate says it is likely that a reduced Russian demand for EU food products will lead to pressure from member states to give food aid in order to reduce stocks.

It says requests for food aid from Russia are highly likely but warns that the international community may resist the EU acceding to them because of the effect on commercial sales.

Russia will be discussed by EU finance ministers meeting in Austria at the weekend, and their agriculture counterparts, meeting in Brussels on Monday. Food aid is likely to feature at both meetings.

France is among countries which have expressed support for food aid. Louis Le Pensec, agriculture minister, called last week for help for Russia and compensation for farmers for loss of markets.

German government politicians are also thought to be sympathetic to the idea of food aid, which the EU last provided for Russia in the early 1990s when about Ecu500m ($545m) was dispatched.

Wilhelm Molterer, finance minister of Austria, which currently holds the EU presidency, said yesterday, the EU should be prepared if Russia needs and wants help, although he warned that food aid should be designed to help the country to which it was given "and not to solve our own problems".

However, there is strong scepticism about food aid among high-ranking EU officials, many of whom believe Russia should be given assistance, whether in money or food, only if it can demonstrate an ability to administer and distribute it equitably and efficiently.

"We need to avoid food aid going to unclear channels," said Franz Fischler, EU farm commissioner.

Kalevi Hemila, Finnish farm minister, said food aid for Russia would have a limited effect. "It is much more important for Russia to balance its economy so that markets begin to work well."

Any food aid discussions this week and next by economics and farm ministers are likely to be preliminary, especially as Russia has yet to make a request for help.

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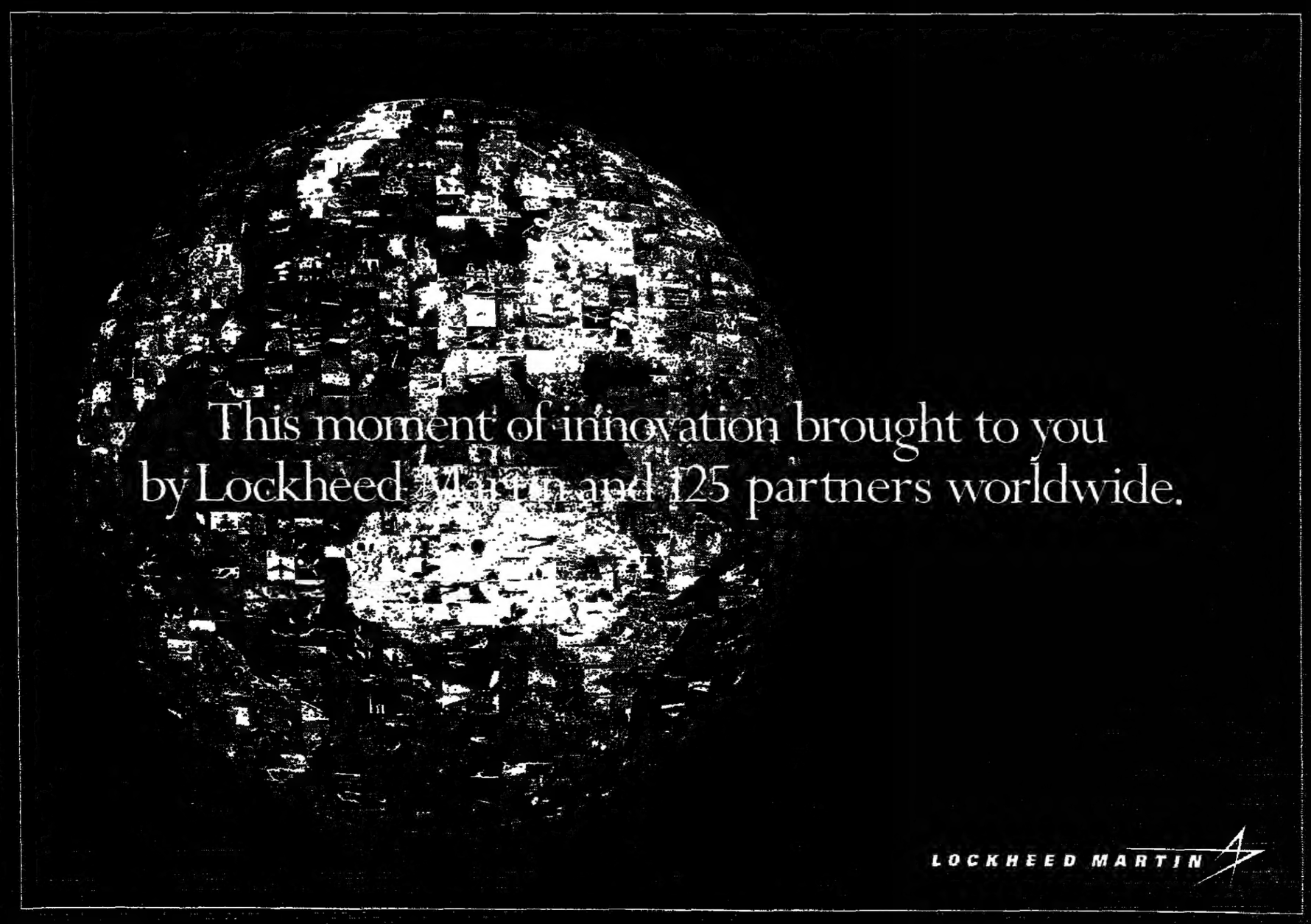

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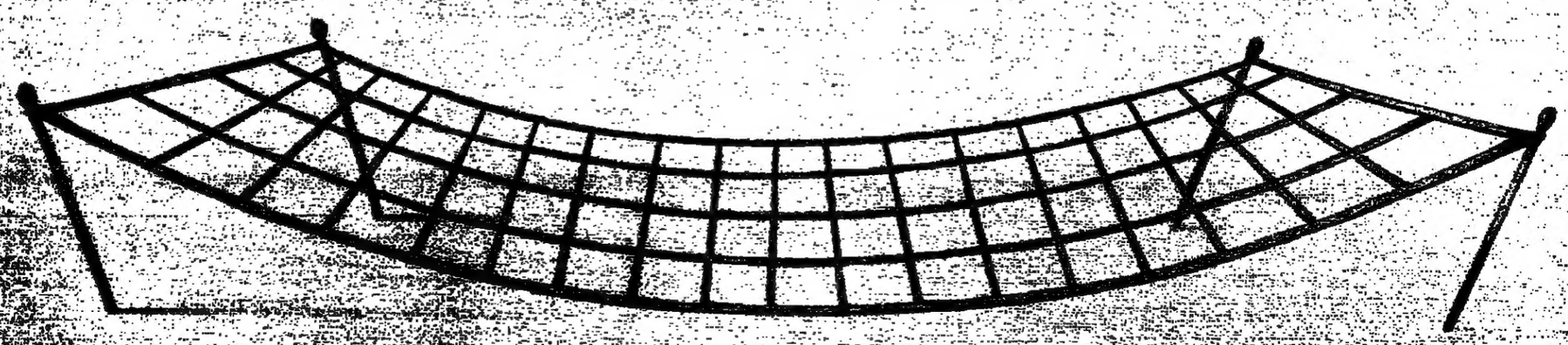

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CLINTON CRISIS DEMOCRATS AND REPUBLICANS DIVIDED OVER IMPACT OF VIDEOTAPE ☐ PRESIDENT BLAMES PRESSURES OF INQUIRY FOR MEMORY LAPSES ☐ GRILLING EXPECTED TO CONTINUE

I was victim of ambush, says Clinton

By Richard Wolffe in Washington

During four hours of legal grilling over the Monica Lewinsky scandal, President Bill Clinton appears at times politically combative, personally embarrassed and semantically evasive.

Sitting in the map room of the White House, the president veers between confident accounts of his previous testimony, to downcast admissions of his "inappropriate intimate contact" with the former intern.

Before a panel of prosecutors headed by Kenneth Starr, the independent counsel, Mr Clinton appears tense and stern, his jaw often clenched and his testimony punctuated by bouts of nervous blinking.

The legal clash between Mr Starr's prosecutors and the president begins with the very formalities of the encounter. Mr Clinton appears riled at several questions confirming he knows the full meaning of giving evidence under oath. In his report to Congress, Mr Starr accuses the president of lying under oath both in his videotaped testimony before a grand jury last month, and in his evidence in the Paula Jones sexual harassment case.

"I believe when a witness is under oath in a civil case or otherwise under oath, the witness should do everything possible to answer the questions truthfully," Mr Clinton says.

At the heart of his evidence, President Clinton repeatedly insists that he was the victim of a legal ambush in a politically motivated Paula Jones case, funded by the rightwing Rutherford Institute.

While defending his testimony as truthful, Mr Clinton angrily attacks the lawyers representing Ms Jones and admits he was not helpful in his evidence. Describing the Jones case as "some sort of gotcha game at work", he blames Linda Tripp – the former White House secretary and friend of Ms Lewinsky – for orchestrating a conspiracy with the Paula Jones lawyers.

"What they wanted to do and what they did do ... was to find any negative information they could on me, whether it was true or not, get it in a deposition and then leak it, even though it was illegal to do so," he says.

"Now I am trying to be honest with you and it hurts me," he adds. "I am trying to tell you the truth about what happened between Ms Lewinsky and me. But that does not change the fact that the real reason they were zeroing in on anybody was to try to get any person in there – no matter how uninvolved with sexual harassment – so they could hurt me politically."

Mr Clinton's central account of his affair with Ms Lewinsky comes at the start of the four hours of evidence. His first public admission of the affair is written down on a carefully folded piece of paper. "When I was alone with Ms Lewinsky on certain occasions in early 1996, and once in early 1997, I engaged in conduct that was wrong," he says. "These encounters did not consist of sexual intercourse."

He adds: "But they did involve inappropriate intimate contact. These inappropriate encounters ended at my insistence in early 1997. I also had occasional telephone conversations with Ms Lewinsky that included inappropriate sexual banter."

Many of the exchanges between Mr Starr's legal team and the president centre on the complex definition of sexual relations in the Paula Jones case.

Mr Clinton insists that oral sex – which is alleged to be the basis of his affair with Ms Lewinsky – does not represent a sexual relationship because it does not include sexual intercourse. "I believe that is the definition that most ordinary Americans would give it," he says.

It is a statement the president returns to when he is under his most intense and uncomfortable interrogation about the precise details of his sexual contact with Ms Lewinsky. Between sips of Diet Coke, Mr Clinton relies on the statement to evade questions about whether he ever fondled the former intern, or how a stain containing his semen ended up on Ms Lewinsky's dress.

Under detailed sexual questions from the grand jury itself, Mr Clinton refuses to answer questions about the nature of his oral sex with Ms Lewinsky, and condemns what he describes as attempts "to criminalise my private life".

In contrast to his strong political attack on the Paula Jones case, Mr Clinton also appears less than confident in explaining how many times he was alone with Ms Lewinsky.

Mr Clinton is quizzed several times – showing flashes of impatience – about the comments of Robert Bennett, his personal lawyer, at the time of the Paula Jones testimony. Mr Bennett quotes Ms Lewinsky's affidavit that "there is absolutely no sex of any kind in any manner, shape or form with President Clinton".

"Mr Bennett was representing me, I was not representing him," he says. He later relies on legalistic quibbling about Mr Bennett's use of the present tense.

Mr Clinton is persistently questioned about his alleged coaching of Betty Currie, his personal secretary, but says he was merely rehearsing his own memory. He insists he was not attempting to shape Ms Currie's evidence by telling her he was not alone with Ms Lewinsky. "I was trying to get information in a hurry," he says to Mr Starr's legal team. "I was downloading what I remembered."

However, the president later relies on a contorted definition of being alone with Ms Lewinsky, saying he knew he was never truly alone in the Oval Office complex.

Mr Clinton finally blames certain memory lapses on the pressures of his job, as well as Mr Starr's inquiry. "I have been blessed and advantaged in my life with a good memory," he says. "But I have been shocked and so have members of my family and friends of mine at how many things that I have forgotten in the last six years. I think [that is] because of the pressure and the pace and the volume of events in a president's life, compounded by the pressure of your four-year inquiry, and all the other things that have happened."

Shoppers in Kingston, near London, watch a videotape yesterday of Bill Clinton's grand jury testimony — Associated Press

Ms L denies the 'pres' told her to lie

By Nancy Dunne in Washington

In more than 3,200 pages of documents released yesterday, Monica Lewinsky describes details of "an intimate and emotional relationship" with President Bill Clinton, but said he never asked her to lie under oath about their relationship.

However, earlier on in the relationship, Mr Clinton told her to deny a relationship if she was ever asked about it. "He also said something to the effect of if the two people who are involved say it didn't happen – it didn't happen," she wrote in a statement to the special prosecutor after she was given immunity in return for her full account.

The documents also contain Ms Lewinsky's testimony to the Washington grand jury, Mr Clinton's testimony, Ms Lewinsky notes describing their phone sex "banter" – as the president described in his testimony – E-mails between Ms Lewinsky and friends, and a chart, drawn up by the prosecutor's office (based on the former intern's testimony) of all contacts between the two.

In their testimonies, the president and Ms Lewinsky differ about when their affair began. Ms Lewinsky says in November 1995, when technically she was still an intern, but had been hired for a White House staff job. He puts the start in January 1996, and says they met alone about nine times. The prosecutor's office chart shows nine instances of intimate sexual contact.

Ms Lewinsky said she was upset about her transfer to the Pentagon, but the president promised to get her a White House job after the 1996 election. He gave her the name of a staff member who would help her, but the job never materialised.

Linda Tripp, once a friend of Ms Lewinsky, who taped many of their conversations and submitted the tapes to the special prosecutor, informed Ms Lewinsky that she had been told that there were rumours about the relationship and that Ms Lewinsky would never work at the White House.

Ms Lewinsky's testimony shed light on one mystery. She said she had never cleaned her blue dress, which had physical evidence of the relationship, on the suggestion of Ms Tripp, who said the dress could be used in evidence and that it made her look fat.

In her statement, Ms Lewinsky referred to herself as "Ms L" and Mr Clinton as the "pres". She said that she asked the president, with whom she was no longer having sexual relations, to ask his friend, Vernon Jordan, to help her get a job in New York.

It was the president who told Ms Lewinsky that she had been identified as a possible witness in the Jones sexual harassment suit. He told her she could sign an affidavit to try to satisfy their inquiry.

However, Ms Lewinsky was subpoenaed to testify in the case. She called Mr Jordan in tears. He told her to come to his office, and on her request, arranged an appointment for her with an attorney. "Ms L asked Mr Jordan if he thought the 'pres' would always be married to Mrs Clinton," she said in her statement. "Mr Jordan replied that he thought they would always be married as they should be. Ms L expressed disappointment and then Mr Jordan said: 'Well, maybe you'll have an affair when he's out of office.' Ms L replied she and the 'pres' had already had an affair minus having sex – but it included everything else."

Public reaction holds key to fate of besieged president

By Gerard Baker in Washington

Throughout the national trauma of the last few months, Americans have been able to see their president in public as most of them would like to see him – secure, confident, composed, inspiring. In short, presidential.

But yesterday on their television screens they were given an enduring image of another man – the president as the accused, chased down a legal labyrinth by zealous prosecutors, searching for words aimed not at inspiring his fellow Americans but at saving his skin.

The public reaction to this unprecedented glimpse of the president will now be critical in determining Bill Clinton's fate. Will people sympathise with their president, seeing his testimony with its often long, convoluted answers, and moments of presidential uncertainty, as an excruciating ordeal in which he did his best to answer truthfully?

Will they view Mr Clinton's performance as revealing of a man trying to wriggle his way through straight questions, but succeeding only in demonstrating his perjury? Or will the spectacle itself so further diminish the president's standing that they may decide he cannot continue to execute effectively his functions as president of the US?

The public's view will not be known for some time. But if the immediate answers from politicians on Capitol Hill represent a broader public judgment, the airing of the testimony will not itself significantly enhance or diminish the prospects for impeachment.

'No reasonable person could conclude the president did not knowingly lie'

Republicans quickly pointed to the president's refusal to answer any detailed questions about his relationship as clear evidence that he lied, at least in his deposition in the Paula Jones sexual harassment lawsuit in January.

Mr Clinton repeatedly deflected questions about the nature of his relationship with Monica Lewinsky, the White House aide, by referring to a written statement he read at the outset, in which he stated his intention to refuse to answer detailed questions.

Republicans argued it was essential for prosecutors to get answers from Mr Clinton on these intimate questions, because he had in his January deposition, in effect, denied all kinds of sexual activity took place between him and Ms Lewinsky.

The president's opponents also say Mr Clinton's long, rambling answers to many questions reflect a classic tactic resorted to by witnesses trying to avoid direct responses.

Furthermore, his tortured attempts to define sexual relations in his testimony may be seen by many Americans as absurd and fundamentally dishonest.

Throughout, Republicans say, the president's manner suggested an awareness he had not told the truth in the January deposition, and that he had indeed obstructed justice by helping Ms Lewinsky after she was subpoenaed in the Jones case.

"After viewing this videotape, no reasonable person could conclude that the president did not knowingly lie to the grand jury and to the court in the underlying lawsuit," said Bob Barr, one of the more partisan Republicans on the House of Representatives' judiciary committee. "This is a classic case of perjury."

But Democrats were dismissive. They argued the president was simply behaving as would any witness in the circumstances. Prosecutors were clearly out to try to trap him into committing perjury and his refusal to answer questions about the type of sex he had with Ms Lewinsky was an entirely reasonable attempt to preserve his dignity.

The initial reaction to the video suggested it would not prove to be the knockout blow to the president some Republicans had clearly hoped. What is certain is that what one Democrat called at the weekend the president's "water torture" seems likely to continue. Yesterday, the House judiciary committee let it be known it had obtained a videotape of Mr Clinton's original deposition in the Jones case. It seems only a matter of time before that too is broadcast to the world.

Internet again passes the overload test

By Louise Kehoe in San Francisco

The internet proved its resilience yesterday as hundreds of thousands of users watched President Bill Clinton's videotaped grand jury testimony on their computer screens.

The video attracted a smaller audience than last week's Starr report, which was read by millions of internet users. On both occasions, experts had predicted that the volume of data traffic could cause widespread problems for internet users. In the event, internet performance was largely unscathed.

The internet was in direct competition with television channels yesterday, which showed the video live throughout the morning. Another factor limiting the internet audience was that access to the video required a high-powered personal computer and special software.

Nonetheless, CNN Interactive, the leading website for video news, said more than 200,000 people accessed the video between the time it was first available, shortly after 9am EST, and 11.30am EST. This beat the website's previous record of 188,000 people who accessed images of Mr Clinton announcing the bombing last month of "terrorist" sites in Afghanistan and Sudan.

"There is no question that this is the biggest video event ever on the internet," said Kerrin Roberts, of CNN Interactive. The company had brought in extra computer capacity to handle the anticipated demand, he noted, and was not aware of any technical problems resulting from the heavy traffic.

However, individual internet users in Boston, San Francisco and London reported intermittent problems reaching news websites that were broadcasting the video.

Early signs from yesterday's broadcast appear to demonstrate that the internet has become a viable medium for television-style broadcasting. However, it is not yet clear whether the internet is capable of handling the millions of viewers who tune in to TV channels.

Buenos Aires confident of fending off currency shocks

Market turmoil is hitting rank-and-file Argentines, but there is little central bank concern over the dollar peg, writes **Ken Warn**

It may be mayhem in the markets, but inside Argentina's central bank an unearthly calm reigns. Behind the bank's ornate stucco portals, officials believe they have built powerful defences for convertibility – the currency board system that pegs the peso to the dollar.

Regardless of the outcome of events in neighbouring Brazil or whatever the international crisis may bring Argentina in terms of lost production or rising unemployment, a currency crisis is not on the cards, they argue.

Out in the street, however, Argentines are already starting to feel the impact of the international turmoil. Car plants are scaling back production, while mortgage and consumer credit is drying up.

Industrial production in August rose just 0.1 per cent from the previous month, according to preliminary figures from FIEL, an economic think-tank, as growth in gross domestic product slides from last year's 8.4 per cent.

A 1999 GDP growth forecast of 4.8 per cent released last week by Roque Fernández, economy minister, was widely viewed as over-optimistic. Private sector forecasters are busily ratcheting next year's growth forecasts downwards, some to zero.

However, these worries have not as yet translated into fears over the dollar peg. "People are worrying about recession, but not the collapse of convertibility," said Freddy Thomsen, economist at ING Barings in Buenos Aires.

Central bank reserves have shown no sign of coming under pressure, and bank deposits have risen since last October to stand last week at almost $77bn. At the height of the Tequila crisis in 1995, bank deposits fell $8bn, or 18 per cent, in just three months.

Since then the banking system has been through a process of consolidation, which is continuing. Deep-pocketed foreign banks now hold a 44 per cent share of the market. The 10 biggest banks in the system account for almost 70 per cent of deposits, against just 40 per cent at the outbreak of the 1995 crisis.

With total financial system reserves of $31.5bn, plus a contingent liquidity or "repo" facility of $6.7bn maintained with international commercial banks, Argentina has a level of international reserves in excess of the monetary base, while 30 per cent of the deposit base is covered by foreign liquidity.

A full-blown speculative attack on the peso, while feasible, would be hard to mount technically because of the sheer shortage of available currency, according to local analysts.

"The amount of notes and coins in circulation is a mere $14bn, and the level of intermediation is fairly primitive, thus blocking non-physical sale and delivery in a speculative attack," noted a report from brokers Interacciones.

So wedded to the dollar has Argentina become that full "dollarisation" is widely considered a viable option in the event of strong pressure on convertibility. Dollarisation was studied as a possible alternative to convertibility in 1991 and is still viewed by many officials as preferable to devaluation, seen by most Argentines as the prelude to hyperinflation.

Even the most optimistic official, however, acknowledges that dollarisation would prove difficult to effect in a combined attack on the currency and run on the banks.

Argentina's real economy also has some defences against a Brazilian crisis, a legacy of the country's gradual abandonment of its role in world trade.

President Carlos Menem's efforts to re-open the economy to the outside world have had only limited success, and exports account for only some 8 per cent of GDP, of which a third goes to Brazil. Some 60 per cent of exports to Brazil are fuel and commodities which could easily find other markets.

Thus exports equivalent to only 1 percentage point of Argentina's GDP are exposed to price changes in Brazil, officials argue.

The car industry, however, is already suffering from events in Brazil. Ford of Argentina last week joined other carmakers in slowing production.

Minimal trade exposure leaves the financial system as the most likely transmission belt for a shock from Brazil. Already this year share prices have plummeted almost 48 per cent. Companies, unable to raise cash through bond issuance, are reining in expansion plans while, for consumers, peso and fixed interest mortgage finance has disappeared.

'People worry about recession, not the collapse of convertibility'

A Brazilian devaluation would almost inevitably have some impact on Argentine banking deposits, forcing interest rates higher.

The government itself, denied access to the international bond markets as a result of the global turmoil, is seeking to finalise a $6bn loan package, mainly from multinational lenders, to cover financing needs through to the end of the first quarter of next year. It has yet to raise $2bn to bridge this year's funding gap, while next year's needs are put at about $14bn.

It all looks distressingly familiar to Argentines, who saw the economy contract 4.6 per cent in 1995 in the wake of the Tequila crisis, before a strong rebound in 1996. With no quick end to the global turmoil in sight, lower growth, rising joblessness, downward pressure on wages and slowing tax revenues appear to lie ahead.

It is not the best of platforms for the ruling Peronist party to fight next year's presidential elections. Its only consolation is that this scenario is equally problematic for the opposition Alliance, which has backed the main outlines of the Menem economic programme.

NEWS DIGEST

ANTI-TOBACCO CAMPAIGN

American Cancer Society hardens advertisements

The American Cancer Society yesterday launched its national anti-tobacco advertising campaign as part of a new no-holds-barred approach to stop people smoking. The new generation of television commercials is going for a harder-hitting approach. For instance, they call tobacco companies "liars" and detail the industry's alleged strategy of targeting children. This is in contrast to previous campaigns which focused on helpful hints about giving up.

The new campaign features X-rays of charred lungs, ambulance rides to the hospital and agonising scenes of a 29-year-old mother with emphysema wondering how she will say goodbye to her children. The aggressive campaign is in response to a $50m advertising blitz by the tobacco industry this year that portrayed tobacco legislation as liberal "tax and spend" politics. **Victoria Griffith, Boston**

FLORENCE GRIFFITH-JOYNER

US sprinter dies at 38

Florence Griffith-Joyner (left), the legendary US sprinter who won three gold medals at the 1988 Seoul Olympics and still holds the women's 100 metres world record, died yesterday from a heart seizure at the age of 38.

Throughout her career the sprinter – known worldwide as "Flo-Jo" and famous for her extraordinary physique, flamboyant costumes and long, painted fingernails – was dogged by accusations that she used illegal performance-enhancing substances, allegations which she always denied. Although she retired in 1988 Griffith-Joyner kept a high profile in sport. She served as co-chairman of the President's Council in Physical Fitness and appeared in a worldwide television advertising campaign for Pirelli tyres. **Patrick Harverson**

CANADIAN ECONOMY

Rebound in retail sales

Canadian retail sales bounced back strongly in July, reversing a sharp dip in the previous month which had raised fears that Canada's domestic economy might be slowing.

Sales were up 1.4 per cent from the previous month, beating economists' expectations. Excluding the effects of the General Motors strike on vehicle sales grew an even stronger 1.8 per cent. General merchandise stores, including department stores, posted the strongest monthly gain of 4.3 per cent. **Edward Alden, Toronto**

On the web today

- Brazil steps up call for market action
- Moonbeams and harsh realities in Houston
- Puerto Ricans evacuated ahead of hurricane

http://www.ft.com/americas

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MOBILE PHONE FLOTATION JAPANESE OPPOSITION PARTY LAUNCHES INQUIRY INTO STAKE IN NTT DoCoMo

Obuchi brother's shareholding probed

By Paul Abrahams in Tokyo

Japan's leading opposition party, the Democratic party, yesterday announced it was launching an investigation into how the older brother of the prime minister, Keizo Obuchi, obtained the second biggest private stake in NTT DoCoMo, the mobile phone group which is being floated next month.

Mitsuhira Obuchi, mayor of the town of Nakanojo, owns 270 shares in NTT DoCoMo. The shares are likely to be priced at about Y4.5m ($33,880) each, valuing the stake of Mr Obuchi, who runs the family clothing business, at Y1.215bn ($9.1m).

Separately, it emerged that Toshitaka Furukawa, secretary to the prime minister, also owns 135 shares in the mobile telecoms company.

The investigation is a significant blow for Mr Obuchi whose government has remained free of financial scandals.

Goldman Sachs, one of the two global co-ordinators for the initial public offering (IPO) which is likely to become the world's biggest ever, larger than Deutsche Telekom's $13.05bn issue, yesterday moved quickly in an attempt to defuse the potential crisis.

The US broker issued a statement denying the affair was similar to the Recruit scandal in 1988, when leading politicians, families and their close associates received shares in Recruit shortly before the company's IPO. The scandal ended with the resignation of Noboru Takeshita, the then prime minister. Mr Obuchi is a protégé of Mr Takeshita.

Goldman Sachs said Mitsuhira Obuchi, also known as Kohei Obuchi, had received the shares in October 1993, when NTT DoCoMo acquired a paging company in which he owned a stake.

The paging company, called Jomo Tsushin Service was located in Mr Obuchi's home prefecture of Gumma and founded in 1972. Mr Furukawa, the prime minister's secretary, received his shares in a similar way, said the US broker.

However, questions remain about whether the number of NTT DoCoMo shares paid to Mr Mitsuhira Obuchi was appropriate given the size of Mr Obuchi's stake in Jomo Tsushin Service, and the paging company's underlying value.

It is also unclear why a group associated with the brother of an up-and-coming politician was provided by NTT with a licence to operate paging services.

The prime minister's political faction within the Liberal Democratic party specialises in telecoms policy and has traditionally lobbied hard for the industry in parliament.

Goldman Sachs said that, to the best of its knowledge, Yukio Nakasone, another shareholder, was not related to the former prime minister Yasuhiro Nakasone. The former prime minister's office said that if Yukio Nakasone was a relative he was an extremely distant one and was unknown to close family.

Police crush protest over Anwar's arrest

By Sheila McNulty in Kuala Lumpur

Malaysia's budding reform movement turned violent yesterday, as hundreds of riot police fired tear gas and water cannons at thousands of people protesting outside a courthouse against the detention of Anwar Ibrahim, the sacked deputy prime minister. Police vigorously beat one man with wooden batons before detaining him with dozens of others.

The rioting took place across the street from Independence Square, where Mr Anwar led up to 60,000 Malaysians on Sunday in calling for the end of the 17-year rule of Mahathir Mohamad, the prime minister. Police arrested Mr Anwar after the rally and announced yesterday he was being held under the Internal Security Act (ISA), which permits indefinite imprisonment without trial.

Police said they detained Mr Anwar for disrupting public order and breaching the peace. They also arrested Ahmad Zahid Hamidi, the only member of the Supreme Council of the ruling Umno party who openly supported Mr Anwar when he was sacked on September 2 for having "low morals". Mr Anwar has been accused of a series of offences, ranging from sodomy to treason. He denies them as a high-level conspiracy targeting him for becoming Dr Mahathir's political rival.

That he was not charged for any of those offences bolstered critics' claims that police did not have enough evidence. "The detention of Anwar under the ISA can only mean that the government has no strong case," said Lim Kit Siang, parliamentary opposition leader.

That is what the thousands who rallied outside the courthouse insisted, refusing repeated orders to disperse.

Police intermittently sprayed tear gas and water cannons and chased them across Independence Square: through the cricket pitch, past the giant orangutan mascot of the Commonwealth Games, and down side-streets, rounding up those they could catch to taunts of *reformasi*, or "reform".

Helicopters flew overhead trying to catch sight of protesters. At one point police gave chase on motorcycles, grabbing one man who had taunted police from his motorcycle and beating him with batons. Malaysians who emerged for lunch were shocked to see what had unfolded since they went into work. Many objected to the rioting as disruptive and embarrassing while Malaysia is hosting the Commonwealth Games.

But the protesters persisted. "I feel shame for the draconian action taken by Mahathir," said Hew Kuan Yau, a member of the opposition DAP party. "I'm fed up. There is no justice here," added a 20-year-old Malay student, his lips quivering with fear. He, too, refused orders to disperse. "They cannot arrest everybody."

The rioting came on the final day of the Commonwealth Games, the most important international event Malaysia has hosted. Britain's Queen was there to close the ceremony and her security was reinforced.

That Dr Mahathir could not wait to arrest Mr Anwar after the Queen leaves on Wednesday illustrated how significant a threat he had become. Umno's Supreme Council met yesterday to decide how to suppress the unrest amid the biggest economic crisis Dr Mahathir has ever faced.

Dr Mahathir cancelled a news conference, leaving an aide to play down the events unfolding. The aide said the Umno meeting discussed how to defuse the situation and how to explain to the grassroots why Mr Anwar had to be detained. "More work has to be done to convince the people," he said, quickly adding: "But it's not that serious."

Mr Anwar's lawyers said police searched his house without a warrant and seized documents and videotapes. His wife, Wan Azizah Wan Ismail, was visibly shaken after being refused access to her husband.

"I fear for his life," she told a news conference. But she vowed to press on with his reform movement. "It's becoming very rough," she told hundreds gathered around. "Please be calm, but you must not be afraid to voice your inner feelings."

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Riot police stand guard at the Kuala Lumpur court where Anwar Ibrahim was arraigned yesterday and where up to 7,000 protesters were dispersed by baton charges, water cannon and tear gas Reuters

Jakarta gets $16bn assets from banks

By Sander Thoenes in Jakarta

Indonesia's government has claimed success in retrieving almost $16bn in loans to ailing banks, but officials have acknowledged many of the assets pledged may be overvalued.

Suhandjono, deputy attorney general, said owners of 10 closed banks and four that were taken over by the government had offered Rp177,000bn ($15.9bn) in assets, equivalent to two-thirds of this year's state budget. The owners made good on a general collateral of personal assets offered earlier this year in return for some Rp150,000bn in central bank liquidity credits, issued to meet a rush on deposits.

Yesterday's brief announcement, lacking details, was the climax of an unusual effort by prosecutors to raise expectations by dragging in top business executives for questioning and threatening to jail fraudulent bankers.

As government audits showed that some bank owners had borrowed up to 90 per cent of their banks' funds, breaking legal lending limits, the campaign had also become a test case for President B.J. Habibie's pledge to root out corruption.

Yesterday's pledges of assets exceeded what many believed bankers would be able or willing to muster, and even over the weekend the bank association had asked for a delay. Only Bank Tiaria Asia and Bank PDFCI, both now under the Indonesian Bank Restructuring Agency (IBRA) which took over 55 banks, were allowed to miss yesterday's deadline because they had not breached legal lending limits.

But Mr Suhandjono conceded that "there is a big possibility that the real value of their assets won't match the government's proper asset revaluation," suggesting bankers are not yet off the hook.

Bankers said evaluation of yesterday's pledges, most made by the Salim, Admajdjaja and Nursalim families which owned the three largest banks, would be extremely difficult in the midst of economic crisis and currency depreciation. J.P. Morgan and Lehman Brothers are advising IBRA and will have to estimate what shares and other assets are worth in a collapsed market, whether they have been used as collateral and how much a company could be worth in three or five years.

"The assets are worth pretty much what you want them to be," one banker said.

The campaign had become a test case for President B.J. Habibie

Indocement, the cement arm of the diversified Salim Group, has tripled the valuation of its fixed assets on its latest balance sheet to Rp14,876bn, presumably because much of its equipment is imported, a level which some analysts believe has overrated the company's value. The company owes about $1bn to foreign banks, far more than its listed shares are worth.

Usman and Nienie Admajdjaja, founders of Danamon, the second largest private bank now under government control, are expected to face even more difficulty returning some Rp18,000bn because they own far fewer companies. One Danamon official said they could transfer Danamon's loan portfolio to the government, a suggestion rejected by a government adviser as "nonsense".

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Airline chiefs announce alliance. From left: Don Carty (American), Bob Ayling (BA), Kevin Benson (Canadian), David Turnbull (Cathay Pacific), James Strong (Qantas)

Take-off for five-way air alliance

By Jonathan Ford in London

British Airways and American Airlines yesterday announced the formation of their five-airline global alliance, prompting speculation that the move would force Europe's two remaining large unaligned carriers to form or join similar groups.

Analysts said the deal would put pressure on Air France and S-Air, the Swiss group that owns Swissair, to seek partners as the trend towards airline alliances gathers speed.

"This deal has opened up the prospect of another round of partnerships in the industry," said one analyst. "The concern is that if these airlines don't move soon, all the attractive partners will be snapped up."

Swissair said the deal would not alter its existing strategy. In Europe, the airline has a network of alliances with other regional carriers while on north Atlantic routes, it has a bilateral partnership with Delta Airlines of the US.

Air France refused to comment.

Europe's other leading airlines already have partners. Lufthansa of Germany is a leading member of the Star alliance, seen as the new partnership's principal rival. KLM of the Netherlands is aligned with Northwest of the US.

Alongside BA and American, the new alliance – called oneworld – involves Canadian Airlines, Cathay Pacific of Hong Kong and Qantas of Australia.

Robert Ayling, chief executive of BA, said oneworld was a marketing alliance rather than a full partnership, and would not affect members' bilateral links with other airlines. There would be no regulatory implications, he said.

For instance, both Cathay Pacific and Qantas have bilateral relationships with Swissair.

However, Mr Ayling held out the possibility that the relationship could deepen once BA's planned alliance with American receives regulatory approval.

The five members, plus franchise and partner airlines, will serve 632 destinations in 138 countries. They carried 174m passengers last year and collectively have 220,000 employees.

"Our customers have told us they want airlines to work together to raise standards across the world and oneworld will do just that," said Mr Ayling.

The partners expect to phase in the customer benefits accruing from oneworld from next February. These will principally include a seamless frequent flyer programme.

The alliance's marketing budget, worth "tens of millions of dollars", will be two thirds financed by BA and American with the remainder coming from the other partners.

Other airlines are expected to join the alliance. Finnair is discussing joining oneworld as soon as possible. Iberia of Spain and Japanese Airlines are also talking to oneworld.

Blow for telecoms investors in China

By James Kynge in Beijing

China is preparing to close the main avenue through which foreign companies invest in its vast telecoms market, throwing into doubt $1.4bn in foreign investments and the China business strategies of some of the world's biggest telecoms operators.

Executives at several foreign telecoms companies in China said officials had told them Beijing would ban a practice which allowed foreign companies to circumvent a prohibition on direct equity participation in telecoms operations.

The practice, known as the "Chinese-Chinese-foreign" (CCF) format, allowed foreigners to derive income from Chinese telecoms services through a complicated mix of management contracts, equipment leasing, consulting and licence royalties which kept them at arm's length from service operations.

The ban, which is contained in a draft decree from the State Council (cabinet), is a critical blow to China Unicom, the country's second carrier after China Telecom, the dominant state operator. Unicom has raised RMB11.85bn ($1.4bn), or 72 per cent of its financing from such CCF-style investments, mainly for 23 mobile telephony projects, according to a study by the US Commerce Department.

Although the decree is still in draft form and elements of it could yet be altered, executives said senior Chinese officials had assured them that the basic prohibition on CCF investments would not change.

"It effectively closes the door on foreign strategic and financial investors who want to participate in the Chinese telecoms services sector," said Ken Zita, an independent telecoms consultant based in New York.

Several top companies, including Deutsche Telekom, France Telecom, Sprint, NTT International, Sumitomo and Bell Canada, have invested in such CCF deals which, although not guaranteed by law, have been given the repeated blessings of top Chinese officials, including the former premier, Li Peng.

Foreign telecoms company executives said it was not clear, however, if the prohibition applied only to new CCF projects or also to established investments. In any case, executives said, the distinction is virtually meaningless because without the possibility for future development, existing strategic positions were of marginal value.

Industry analysts said the move may have been motivated by a variety of factors. One was that the successful listing in Hong Kong last year by China Telecom may have persuaded Chinese officials that financing is readily available without conceding market entry to foreigners.

The ban could also be an expression of official disquiet at the positions that foreign companies are building up in the Chinese market, analysts said.

The most sanguine interpretation is that the ban is the first step in a rationalisation which will eventually lead to foreigners being granted permission for direct – but minority – equity participation in telecoms services, as part of World Trade Organisation entry obligations.

Success haunts cellphone networks

By Roula Khalaf

When two private companies introduced mobile telephones to Lebanon in 1995, the event became something of a revolution.

The Lebanese had been deprived of telecommunications for more than a decade during the 1975-1991 civil war, which left only 300,000 lines operating for a population of about 3.5m. Owning a mobile telephone quickly became a necessity.

But the dramatic success of the mobile networks is coming back to haunt the two companies operating it under 10-year build-operate-transfer (BOT) contracts.

The Lebanese government is struggling to raise revenues and meet its budget deficit target. It is also coming under increasing political pressure to wrest more income from the mobile operators: LibanCell, which has a minority Finnish partner, and Cellis, with a majority French partner.

The pressure has led to a dispute with the companies which will freeze their attempts to attract new subscribers.

This has already created a black market in prepaid mobile telephone cards – a scheme which allows consumers to make calls with, for example, a $50 card which they can recharge, and not pay the $400-$500 connection fee. According to the operators, the prepaid cards are going for twice, sometimes three times, their initial price.

At the centre of the controversy is a government claim that the operators have exceeded the 250,000 subscribers per operator as defined in their contract.

The companies argue that the 250,000 figure – which one has reached and the other is very close to reaching – is not included in the contract but rather in a council of ministers' decision to grant the BOTs. Moreover, they say it was mentioned only in order to ensure that the operators would invest to expand the networks if demand should reach such levels.

The Lebanese government has charged that the operators have not played it straight with the government or consumers. "On prepaid cards, they sell but cannot deliver the service and charge 65 cents for a call instead of 7 cents on a regular cellular line," said one government official.

The companies deny having done anything outside the contracts' specifications. "The real issue is that the government would like to earn more revenue from cellular and for that purpose, multiple arguments are being used including the prepaid activity," says Hussein Rifai, general manager of LibanCell.

The government already receives 20 per cent of the companies' yearly revenues, which will rise 40 per cent after the eighth year and later reach 50 per cent.

US trade obstacles 'hamper exports'

By Canute James in Kingston

The chances of Caribbean Basin countries increasing their exports to the US are hampered by trade obstacles such as anti-dumping measures, according to the United Nations Economic Commission for Latin America and the Caribbean (Eclac). The region, including central American countries, wants better access to the US.

The US's application of anti-dumping and countervailing duties is arbitrary in determining the level of injury to US industry, and in deciding what the appropriate level of duties should be, Eclac's report said.

"To this is added bureaucratic delays, which mean that any action or threat of action can itself act as a trade barrier." Exporting to the US is a "daunting task," it claims.

The report estimates that more than 44,000 federal, state and local authorities enforce 89,000 standards for products within their jurisdictions.

"Products from Latin America and the Caribbean countries regularly encounter competition from subsidised US goods in their domestic markets, as well as in other export markets," the report added. Phyto-sanitary regulations for fruit and vegetables also "pose numerous difficulties" for the region's exports. Gaining access to the US is a cumbersome and costly process that can take years, it says.

A senior US trade official refuted Eclac's conclusion and said the US market was open to Caribbean exports. "Only Mexico has more preferential access to the US market than the Caribbean Basin countries," said John Hamilton, deputy assistant secretary in the Bureau of Western Hemisphere Affairs. "The Caribbean has better access to the US market than all of the rest of the world."

The Caribbean Basin Initiative, implemented in January 1994, allowed countries named by Washington to export duty-free to the US, said Mr Hamilton. The US market was still the "most open" to developing country exports compared with other developed nations, he said. Access to the US market for Caribbean products was not reciprocated since the region imposed "quite high" tariffs on American products.

"The Eclac report shows that the Caribbean region faces many non-tariff barriers in its trade with the US, while our markets are open to the US products," countered Peter King, chairman of the Caribbean Basin Textile and Apparel Institute, a lobby group for the region's garment exporters.

Caribbean clothing exporters have been seeking access to the US market similar to that enjoyed by Mexico as a member of the North American Free Trade Agreement (Nafta). The US government has promised to put the matter to Congress but has not yet done so.

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INTERNATIONAL CAPITAL · PREMATURE OPENING OF ECONOMIES 'AN ACCIDENT WAITING TO HAPPEN'

IMF admits drawbacks to free flow of capital

By Stephen Fidler in Washington

The International Monetary Fund said yesterday that controls on inward movements of capital could be a useful tool for some countries, admitting that opening economies prematurely to free flows of capital constituted "an accident waiting to happen".

In its annual report on international capital markets, the IMF also suggested that a significant increase in capital flight from the countries in Asia worst affected took place long before the crisis hit.

The report, the most explicit admission to date that the IMF's views on the efficacy of capital controls has shifted, said it was apparent from recent financial crises in Asia that "the combination of a weak banking system and an open capital account was 'an accident waiting to happen'."

"Given that there are limits to the pace at which financial sectors can be strengthened, policymakers need to undertake an orderly opening of their financial systems and may need to consider imposing temporary measures to restrain certain types of inflows."

These controls would include various prudential controls that attempt to increase the cost of using external debt – particularly of a short-term nature.

It said these measures could include a Chilean-style "tax" on capital inflows that can alter the cost of external financing, which do appear to slow inflows and can buy time for rectifying weaknesses in banking systems.

"The potential benefits of such taxes should not be exaggerated as their effectiveness will be limited in situations where there are significant unaddressed weaknesses in financial and corporate sectors. It is also likely that such taxes will be subject to growing circumvention over time."

The report also emphasised problems arising from the use of cross-border loans between banks, which can be quickly withdrawn. Excessive use of such funding could be prevented by placing capital requirements on recipient bank liabilities as well as their assets, or by changing capital requirements on lending banks.

The report said the Asian crises had thrown up new issues. First, it argued that there may be a need to co-ordinate financial regulation and exchange rate policy, so that countries attempting to peg exchange rates also needed stronger supervision of banks and companies.

It said the slowness of bank regulators in many emerging markets meant that non-traditional measures might be warranted, such as limiting the safety net to a narrow group of banks, increasing international involvement in banking systems and placing limits on foreign borrowing by banks, companies and individuals.

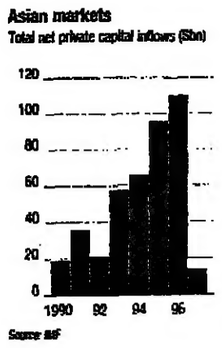
In a lengthy description of the chronology of the Asian crisis, the report established that bank lending was the most volatile component, that capital inflows were generally sustained until the very brink of crisis, and that the international banks' retrenchment from the region took place primarily in the form of cuts in and withdrawals of interbank lines of credit.

"There was also considerable unrecorded capital flight from Asia, with anecdotal evidence suggesting it originated with domestic residents, both corporate and household entities," the report said.

It uses the errors and omissions category of balance of payments statistics – which it says suggests unrecorded capital flows – to suggest capital flight from the worst hit countries in Asia started as early as 1994.

By 1997, the errors and omissions figure for all emerging markets had grown to a negative $63.6bn, from a negative $31.9bn in 1996. Of the 1997 figure, a negative $19.1bn was accounted for by China and a negative $19.5bn by the crisis-affected countries of Asia. The figure for Latin America was a negative $7.6bn.

The figures for the crisis-torn countries turned negative in 1994, at $4.7bn, and grew to $8.1bn in 1995 and $8.5bn in 1996, the report showed.



Editorial comment, Page 17

Blair urges radical IMF overhaul within a year

By David Wighton, Political Correspondent

Tony Blair, the British prime minister, yesterday set a 12-month deadline for reform of the International Monetary Fund and World Bank and called on fellow heads of government to show "the leadership the world so desperately needs".

As chairman of the G7 group of leading industrial countries, Mr Blair stressed the need "to think radically and fundamentally" about an overhaul of the international financial system.

Mr Blair did not join the criticism of the IMF's handling of the Asian and Russian financial crises but he called for greater accountability, transparency and disclosure from international financial institutions.

The IMF should be subject to more external evaluation of its policies and should provide more explanation of its advice in an attempt to build public consensus behind reforms.

It was important too that programmes should take full account of their impact on the poor.

In a speech to the New York Stock Exchange, Mr Blair said the international financial community needed to respond effectively to acute short-term liquidity crises, particularly those caused by loss of market confidence rather than by economy policy failures. "This may require us to look imaginatively at the funding needed to support IMF programmes, without in any way undermining the incentive countries have to pursue sound policies."

Mr Blair said reform was not a matter of "a few technical changes" and urged other countries to commit themselves to "build a new Bretton Woods for the next millennium". The G7 finance ministers and central bankers should take the initiative forward when they met in Washington next month with firm proposals being put to the heads of government summit next year.

Mr Blair also called on fellow governments to provide the IMF with the increased resources it needs after lending $25bn over the last year.

Mr Blair's speech was based partly on a paper prepared by Lord Eatwell, an economist and government member of the upper House of Lords, in which he calls for a World Financial Authority.

Nigeria to lobby Blair, Page 12

Call to reform banks' capital adequacy rules

By Clay Harris, Banking Correspondent, in London

Experts on banking supervision yesterday called for a revision of the Basle Accord on capital adequacy ratios, which one described as "useless for regulators and costly for banks".

Meeting in London to discuss the role of credit risk modelling, most agreed that the 10-year-old Basle Accord – which sets an 8 per cent minimum capital ratio – had always been too blunt a standard, but had been overtaken in any case by developments in capital market instruments.

Claes Norgren, director general of Sweden's Financial Supervisory Authority, said: "We have learned that the minimum is often not enough when the times get rough."

William McDonough, president of the Federal Reserve Bank of New York and chairman of the Basle Committee on Banking Supervision, will discuss the committee's work and agenda at a press conference and speech today in London.

John Mingo, a senior adviser to the Fed's Board of Governors, said: "We should begin yesterday to reconstruct the accord, because today the accord is very much a lose/lose proposition." It was "useless for regulators and costly for banks", because more and more banks were engaging in regulatory capital arbitrage, he said.

This involved the use of securitisation and other financial innovations to allow banks to "assume greater risk, while showing no change or even an increase in capital ratios," according to David Jones, an assistant director at the Fed.

Banks achieved this through a variety of methods, including "cherry picking". Since the Basle Accord did not differentiate in its treatment of loans based on risk, banks were tempted to securitise their highest quality credits while leaving lower quality loans on their balance sheet.

Banks also used "special purpose vehicles" to originate the assets being securitised. This remote origination also enabled banks to reduce the amount of capital needed for regulatory purposes. By March of this year, for example, the 10 largest US bank holding companies had more than $200bn of such securitisation programmes outstanding, or more than a quarter of their total risk-weighted assets, according to Mr Jones.

Central to yesterday's discussions was what role credit risk modelling – and what form of it – should play in revised capital adequacy standards.

Michael Foot, head of financial supervision at the UK's Financial Services Authority, said it had decided that when banks demonstrated their modelling techniques contributed to sound risk management in practice, they would get credit for this when their risk asset capital ratios were set.

The conference was organised by the Bank of England and FSA in co-operation with the Bank of Japan, the Fed's Board of Governors and the New York Fed.

Clinton urges UN to address terrorism

By Laura Silber and Michael Littlejohns at the United Nations in New York

President Bill Clinton yesterday urged the UN General Assembly to put terrorism at the top of the international agenda, saying that it was not an isolated American problem.

"It is a grave misconception to see terrorism as only, or even mostly, an American problem. Indeed, it is a clear and present danger to tolerant and open societies and innocent people everywhere," he said after a warm reception at the opening of the 53rd General Assembly.

He went to great pains to make clear that terrorism was not a clash between Islam and western civilisations, warning that "false prophets may use and abuse any religion to justify whatever political objectives they have – even cold-blooded murder".

Quoting the prophet Mohammed, Mr Clinton urged a "course of friendship and respect for the Moslem world". He also pledged that the US was determined to take steps to "minimise the turmoil and extend the benefits of global markets to all citizens."

Tony Blair, British prime minister, yesterday urged an international response to current global problems – such as "contagion of recession", drugs and terrorism. He called for the strengthening of the UN, including enlarging the Security Council with new permanent seats for the developing world, Germany and Japan.

Earlier Kofi Annan, UN secretary-general, gave a sombre review of a world in political and economic crisis. No longer, he said, could the seven major industrialised democracies alone reverse the global economic downturn with all of its "devastating social consequences".

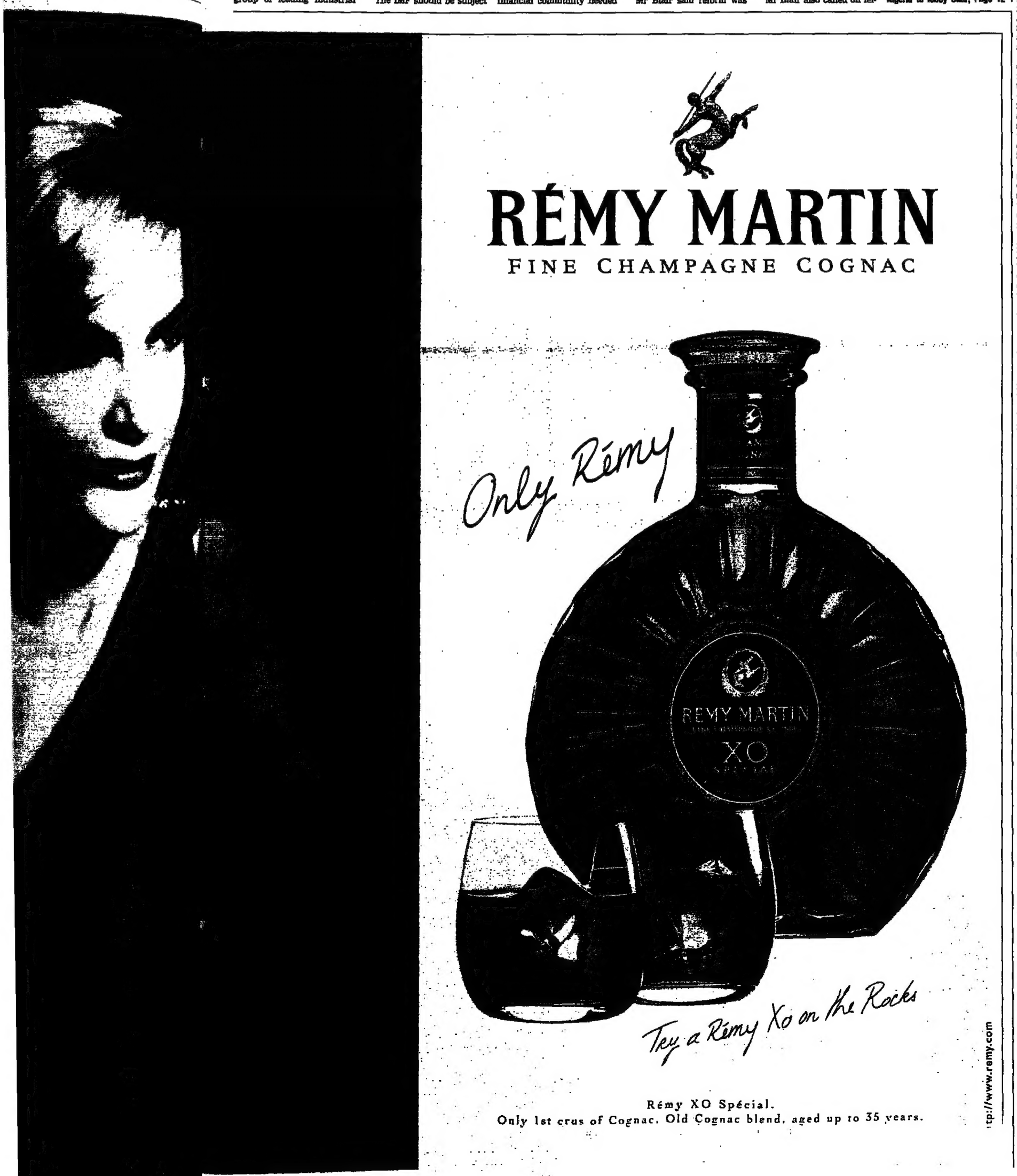
The entire international system should try to find global solutions to the world crisis with the UN itself having a crucial role – an "inescapable duty to respond", he told leaders and ministers from 185 member states.

"We should not forget that the present crisis springs partly from the neglect of political factors during years when some believed that markets alone would bring worldwide prosperity," Mr Annan said, emphasising the need to restore third world development to a central place in economic strategy.

Luiz Felipe Lampreia, foreign minister of Brazil, in the throes of an economic crisis, warned of the "serious lag" between growing financial interdependence and the response of international mechanisms.

"Until now political will has not corresponded to the magnitude and gravity of the situation," he told the Assembly. "Growing interdependence renders effective governance at the international level indispensable."

Nelson Mandela, South Africa's president, warned of worsening poverty prompted by the "destructive" transfer of wealth from one part of the world to another.



BANKING UNEXPECTED AGREEMENT ENDS WHAT IS THOUGHT TO BE BIGGEST CLAIM AGAINST A FIRM OF PUBLIC AUDITORS

BCCI creditors set to settle today for $195m

By Jim Kelly

The $11bn claim made on behalf of the creditors of the Bank of Credit and Commerce International when it collapsed in 1991 will today be settled for $195m in an agreement signed by the bank's auditors and the government of Abu Dhabi.

The unexpected settlement brings to an end what is believed to be the biggest outstanding claim against a firm of public auditors in the world.

A car carrying a single paper copy of the complex settlement was driven to Luxembourg, where BCCI was registered, late last week for the final negotiations with liquidators.

It was finally signed last night.

Under the settlement, auditors Price Waterhouse will pay $95m and Ernst & Young $30m. Abu Dhabi – the principal shareholder in the bank that failed in 1991 following the biggest bank fraud in history – will pay $70m.

BCCI was closed down in a joint worldwide move by bank regulators in July 1991 prompted by a report from PW to the Bank of England, the UK central bank.

Liquidators claimed the auditors were negligent in not preventing estimated losses of $17bn.

It is understood that senior partners at PW refused a $250m offer to settle the firm's liability in late 1996 – the original claim having been cut to $3bn. "That was a six-minute meeting. We always said we were absolutely confident we had nothing to fear," said a PW partner.

The decision to settle came in the face of mounting legal costs and forecasts that the case would not get to court before 2005 at the earliest. Both firms are likely to meet the costs through insurance cover.

The payment will lead to a further pay out for more than 100,000 creditors who now expect to get more than half their money back.

The agreement has been signed without prejudice and is designed to draw a line under the long-running BCCI affair for the firms involved and attempts to end all claims and counter-claims. However, several legal actions linked to BCCI are still outstanding.

PW recently merged with Coopers & Lybrand but the liability in settling the claim falls entirely on the old firm and its partners.

The claim against Ernst & Young actually falls on a predecessor firm – Ernst & Whinney.

Ernst & Young audited BCCI for a shorter period than PW and at a time when the fraud was less likely to have taken place – hence the lower claim. Abu Dhabi is seen as having an obligation to the creditors in effect having underwritten the bank with its own reputation.

Pay TV group boosts internet rival plan

By John Gapper, Media Editor

British Interactive Broadcasting, the pay television shopping and banking service, is stepping up efforts to provide an alternative to the internet for television viewers. The group has also restructured its senior management.

BIB, part-owned by British Sky Broadcasting and British Telecommunications, is dropping plans to offer limited internet access to television viewers alongside its closed "shopping mall" of services.

The move is aimed at reducing confusion about its service after it said last year that it would offer a "walled garden" version of the internet – access to a limited selection of sites.

It will also mark a stronger distinction between BIB, which is to launch its services next year on Sky Digital, and cable companies such as Cable and Wireless Communications, which are launching internet-based interactivity.

James Ackerman, recently appointed BIB's third chief executive, said it was "probably unwise for us to have confusion about people being able to access the internet as well as our other services".

BIB has also appointed five new senior directors under Mr Ackerman, who took over when David Hilton resigned as chief executive last month. The appointments form part of its efforts to launch on Sky Digital next year.

Mr Ackerman said he expected BIB to announce a series of deals shortly.

The initiative, in which Midland Bank and Matsushita, the Japanese electronics group, also hold stakes, is one of the most ambitious efforts to introduce interactive television services to the UK as part of digital broadcasting.

TELECOMMUNICATIONS NEW TECHNOLOGY FAILS TO MEET EXPECTATIONS

Nortel plants to shed 586 jobs

By Alan Cane

Northern Telecom, one of the world's leading telecommunications equipment manufacturers, is shutting down operations at plants in south and south-west England after demand for a new technology failed to meet expectations.

The closures – at Paignton and Maidenhead – are part of the layoff of 3,500 staff worldwide, announced a week ago in the company's move away from traditional telecoms products to the growing market for datacoms systems.

Some 586 employees will be affected, 530 in Paignton and 56 in Maidenhead. Skilled and unskilled jobs will be lost. Gary Donahee, president, public carrier accounts for Europe, said the company would attempt to redeploy workers or help them find alternative employment.

He said it was too early to predict how many jobs could be saved but thought about 60 per cent of the redundant staff could be found jobs elsewhere in the company. He said the 1,400 employees working at the company's optoelectronics plant in Paignton would not be affected.

The new technology is called fixed wireless access and is marketed by Nortel under the brand name Proximity I. It replaces conventional telephone wiring between the exchange and home, or office, with radio signals.

It is being deployed in the UK by Ionica, the Cambridge-based company whose share price plummeted after it failed to meet the expectations of its business plan.

Nortel said last February it was scaling back the manufacture of Proximity I systems at least in part because of Ionica's problems.

Mr Donahee said yesterday that reduced demand from Ionica was only one of the reasons for closing the Paignton operation. The company had 14 customers for the technology, including Ionica, Scottish Telecom and Telecom Finland. A global organisation would continue to manage and market the Proximity I product worldwide with particular emphasis on the Latin American market, where radio access is a low-cost substitute for conventional wiring.

Sales, marketing and support will be on a regional basis, aligning resources more closely with big customers, he said.

Facing closure: the plant in Paignton, south-west England, where 530 jobs are to go Devon News

World's biggest computer group is battling to alter its Big Blue tint

IBM has signed two big IT contracts but there is still a perception that it is simply a hardware manufacturer. **Christopher Price** reports

International Business Machines is set to sign a 10-year £100m ($165m) deal with the Bradford & Bingley building society (a mutually-owned savings and loan institution) to manage the group's information technology infrastructure.

The deal follows the £1.6bn outsourcing deal with Cable and Wireless Communications, the UK's biggest cable company.

Such contracts are the high-value, high-margin service-orientated deals that the world's biggest computer group sees as vital to its future prosperity.

But changing perceptions of the former Big Blue as simply a manufacturer of computer hardware is proving difficult, despite the recent contract successes and the fact that almost half of all revenues now come from IT services in the UK.

"It's the hardest challenge we face in the UK market," says Carl Symon, IBM's UK chairman and chief executive, who moved to Britain last March after running IBM's Latin American division. "There are still too many people who see us as just a computer manufacturer and not the provider of solutions to their IT problems."

Philip Oliver, IBM's director for global services, who is based in London with Mr Symon, agrees. "Our legacy as a hardware company has not helped us, but we are beginning to move perceptions."

Research from Richard Holway, the IT consultancy, says IBM is the second-biggest supplier of software and services in the UK behind another US-based group, Electronic Data Systems. In Europe, IBM ranked first last year.

Much of IBM's work has been driven by the growing demand for outsourced IT. Mr Symon says it still comes as a surprise to some potential customers that IBM can provide a complete service.

"Networking, systems management, application capabilities – no one does all these things as well as IBM. This is the message we are trying to communicate to the market."

The organisation of the group in the UK reflects the global structure, with teams focused by industry, while other units are centred on IT sectors such as software and services.

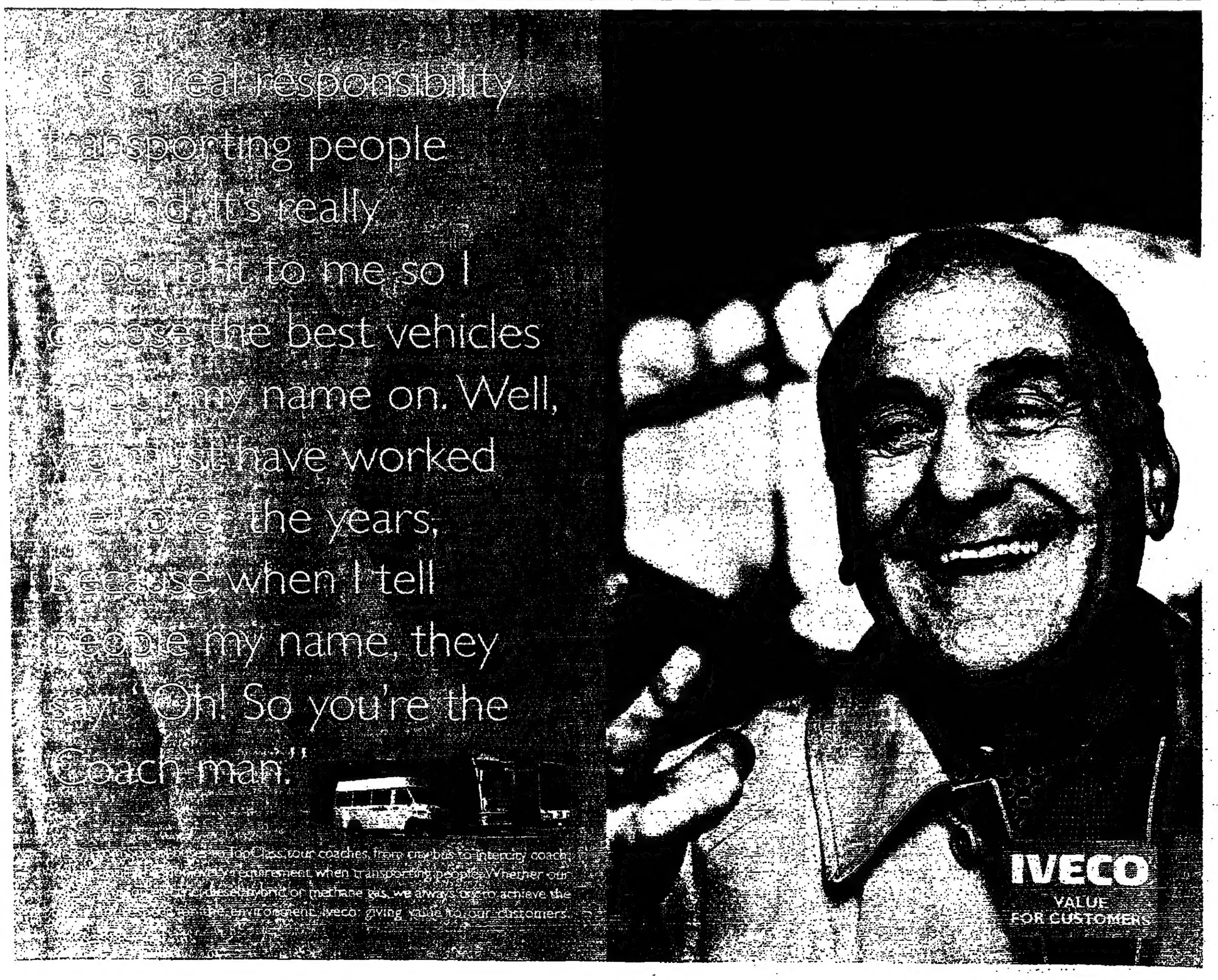
Mr Symon denies that this structure spreads resources too thinly and tries to be all things to all industries. IBM is beginning to target industries and sectors more carefully, he says, with particular emphasis on banking, manufacturing and insurance markets.

But it faces tough competition in an albeit buoyant IT market. There are the other foreign-owned computer service groups that have also cut a swathe through the domestic market. EDS has secured a firm footing in public sector outsourcing.

In the British IT industry, Logica, CMG, FI Group and Sema have all grown rapidly by targeting some of the fastest growing markets, such as utilities, telecommunications and financial services. "The UK is the most competitive market in Europe and we know we have to fight hard to improve our market position," says Mr Symon.

But the gathering skills crisis in the IT industry could also dent the group's ambitions. IBM employs 20,000 people in the UK and is recruiting a further 1,500 people this year. It is also taking on 1,000 people as part of the CWC deal and seeking a further 400 as part of the contract.

"The IT recruitment market is extremely hot, and it's getting the same in the rest of Europe," says Mr Oliver. "It's not limiting our horizons at the moment – but it has the potential to."



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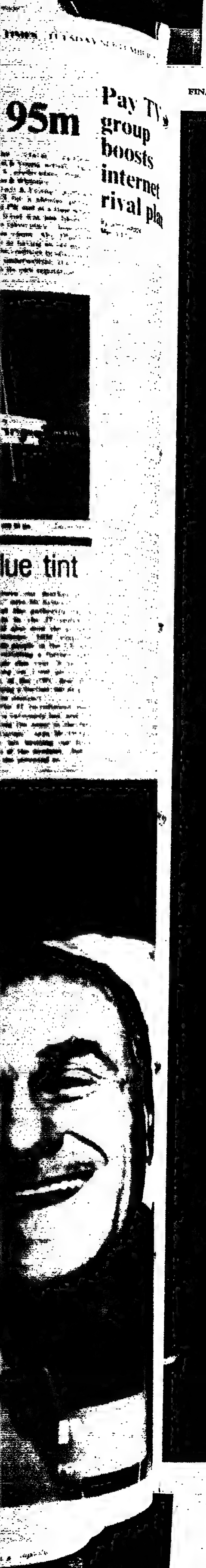

GIORGIO ARMANI
37, Sloane Street, London

NORTHERN IRELAND TRIMBLE TOLD POSITION WILL BE UNTENABLE WITHOUT A HANDOVER OF IRA WEAPONS

Unionist leader warned over arms

By John Murray Brown in Belfast

David Trimble, leader of the Ulster Unionist party, the largest pro-British party in Northern Ireland, was warned yesterday that his position would become untenable without movement from Sinn Féin over arms decommissioning. The warning came from Jeffrey Donaldson, the UUP MP seen by many as a putative challenger to the leader.

Close aides insist Mr Trimble, Northern Ireland's first minister, would resign as UUP leader if Sinn Féin is allowed into the new Northern Ireland executive without the Irish Republican Army handing over its arms. Sinn Féin is the political wing of the IRA.

"He is not bluffing. He is aware of the deep unease within the party and this warning accurately reflects what he has been saying privately over the last couple of weeks," said Mr Donaldson, who opposed the Good Friday peace agreement.

"Decommissioning was fudged before negotiations and during negotiations, and republicans are now trying to fudge the issue again," he said.

Mr Trimble last night denied he had threatened to resign but nationalists suspect the UUP leader is raising the stakes ahead of tomorrow's critical meeting with Bertie Ahern, prime minister of the Irish republic, in Dublin.

Moderate nationalists accept Sinn Féin's argument that the guns are silenced. Gerry Adams, Sinn Féin president, said the agreement was clear on the party's right to be in the executive.

"Had decommissioning been an issue as is presented by unionists I could not and would not have signed up to it because I could not have delivered. Jeffrey Donaldson walked out of negotiations because he knew that it was not in that Good Friday agreement."

A strict interpretation of the Good Friday agreement would support Sinn Féin's case that there is no requirement to disarm before it can take its place in government. But with the Northern Ireland bill making its way through parliament, Mr Trimble is pressing for amendments to make it clear that parties associated with paramilitaries should not be allowed to take their seats without starting to disarm.

The launch yesterday of the Union First group – a UUP organisation which has made decommissioning its central issue – is a reminder of the internal dissent Mr Trimble faces. The row over decommissioning is threatening to delay the formation of the shadow executive that will run Northern Ireland when it assumes full powers next February.

Meanwhile, arrests were made on both sides of the Irish border as police detained nine people, six in Northern Ireland, in connection with the Omagh bomb which killed 29 people.

Liberal Democrats aim to slow process of coalition

By George Parker and Liam Halligan

Senior figures in the Liberal Democrats, the pro-European opposition party, yesterday attempted to put the brakes on moves towards a coalition with the governing Labour party.

Charles Kennedy and Simon Hughes, both touted as possible future rivals for the party leadership, told Paddy Ashdown, the leader, there could be no deal before the government delivered on electoral reform.

The move was seen as a warning shot for Mr Ashdown, whom some MPs and activists suspect is keen to move quickly towards a closer working relationship with Labour and a possible cabinet post.

Mr Ashdown was said to be irritated by the comments, which aides described as "not particularly helpful".

A Liberal Democrat official said the party had agreed to keep its options open during its spring conference. "Charles and Simon can say what they like, but the debate is closed."

Mr Kennedy and Mr Hughes were speaking at a packed fringe meeting at the party's conference in the south coast town of Brighton – one of the few formal chances for members to discuss the state of the relationship between the two parties.

Mr Kennedy said: "Coalition may well lead from proportional representation, but logically it does not precede it."

He added that the party was interested in long-term growth, not "short-term interests and cabinet posts".

Tony Blair, the Labour prime minister, will next month announce whether the government will support proposals for electoral reform, but any change is unlikely to happen in time for the next general election.

Mr Ashdown is keen to keep open the option of a pact or coalition in the next parliament, even if PR has been postponed until the following election, if Mr Blair remains firmly committed to reform.

Mr Hughes also antagonised Mr Ashdown with a suggestion that the Liberal Democrats' sweeping policy review was taking the party on to "New Labour" territory rather than attempting to outflank Mr Blair with a leftward shift.

His views sharply differ from Mr Ashdown's, who has warned that the Liberal Democrats would be misguided to attempt to move to the left.

From left: Paddy Ashdown, Lord Holme, Liberal Democrat Northern Ireland spokesman, David Trimble, Northern Ireland first minister PA

Ford cuts output by 20% at English plant

By John Griffiths

Ford is to cut output of Fiesta cars and vans built at its Dagenham plant outside London by 20 per cent for seven weeks, blaming falling demand in some continental European and other export markets.

The action, which will take 15,000 vehicles out of production and place the plant's 4,400 workers on a temporary four-day week, prompted further calls by unions and some industry groups for interest rate cuts to boost the industry and weaken sterling.

Rover Group also blamed the strength of sterling in announcing two months ago that it would cut output of 26,000 cars, or about 5 per cent of previously planned production schedules, between September and the end of the year.

Ford last night dismissed exchange rates as a significant factor in the decision and other UK carmakers said they had no plans for similar action. Ford itself is planning no production cuts at its plant, at Halewood in north-west England, where it is producing 1,000 Escort cars and vans a day. However, the company said Fiesta output at Cologne, its other main production site, would be maintained, indicating at least some adverse effect from sterling is being felt.

While the Italian new car market, one of western Europe's biggest for the Fiesta, has dropped sharply recently because of the ending of government purchase incentives, most western European markets are holding up well, with sales for the entire region running nearly 7 per cent up on year-ago levels.

Industry analysts suggest that both the Fiesta and some Rover models are suffering from age in a competitive marketplace.

NEWS DIGEST

PROPERTY

Global financial crisis starts to hit house market

Global financial turbulence is starting to hit the UK house market, with house prices rising at their slowest rate for two and a half years, according to the Royal Institute of Chartered Surveyors. There were fewer overseas buyers for central London properties as well as fears that bonuses for workers in the City of London would be much smaller than last year. The survey called for the Bank of England, the UK central bank, to cut interest rates to reverse the sharp fall in confidence seen in the past three months. A survey by RICS showed the net balance of surveyors reporting higher prices over those reporting a fall was 10.5 percentage points in August. In July the positive balance was 16.4 percentage points and in June it was nearly 29 percentage points. Ian Perry, of the RICS, said the top end of the market was being hit by global economic turbulence and stock market uncertainty for the first time. Confidence in the wider housing market has been hit by interest rate rises, reduced tax relief, falling consumer confidence and – increasingly – worries over job security.

Housing transactions fell 5.7 per cent in the first half of the year and the drop in the three months to the end of August was 5.8 per cent. Sales continued to be held up by unrealistic pricing, RICS noted.

A majority of surveyors in East Anglia and the east Midlands say house prices are now falling. The situation is also patchy in London and the south-east.

Christopher Brown-Humes

NIGERIA

Abubakar to plea over debt

Abdulsalami Abubakar, Nigeria's new military ruler, will urge Tony Blair, Britain's prime minister, today to back efforts to reschedule his country's estimated $35bn external debt, which includes £3bn ($5bn) owed to the UK Export Credits Guarantee Department. Gen Abubakar, who took over in early June after the death of Sani Abacha, is to meet Mr Blair in London this afternoon. He is en route to New York for the United Nations General Assembly.

Michael Holman

TRANSPORT

Rail regulator to step down

John Swift, the rail regulator, is to step down at the end of November despite earlier offering to stay in the job for a further two years. Mr Swift announced his surprise decision to to a railway conference yesterday, just over an hour after holding a hurriedly convened meeting with John Prescott, the deputy prime minister, who heads the transport department. Mr Swift, who has served one five-year term, had offered to stay on for a further two years to complete his review of the system of track access charges paid by the train operating companies to Railtrack, the rail infrastructure company. But Mr Prescott said he required a regulator who could stay on for the next five years. Mr Swift and Mr Prescott's office said the regulator's departure was amicable – but Mr Swift has come under increasing pressure in recent weeks with suggestions that he had not been tough enough on the rail companies.

Charles Batchelor

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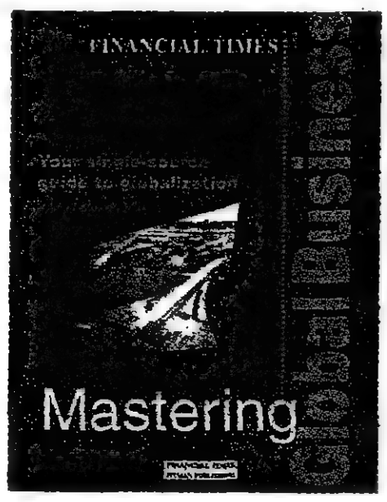

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TECHNOLOGY SPACE TOURISM

To boldly go away for the weekend

It's no longer a flight of fantasy. **Leonard David** describes how private companies are racing to open up space to the public

Since the early 1960s, hundreds of people have ventured into earth orbit, and 24 have slipped free from the planet's grip to head for the moon. Getting there, however, has always depended on spacecraft built and financed by government agencies.

That could change within a few years if the plans and ambitions – and dreams – of an increasing number of private rocket companies and tourism experts are realised. As launch costs drop and passenger-carrying craft become safer and easier to operate, orbital space tourism for the general public will blossom, they predict. After all, if 77-year-old John Glenn, the first American to orbit the earth, can return to space next month on a Nasa mission, why should public trips to space be far behind?

"Space as a prime tourist destination is no longer a flight of fantasy," says Thomas Rogers, president of the US Space Transportation Association (STA), based in Arlington, Virginia. In March, the association and the US's National Aeronautics and Space Administration released a two-year study on space tourism that reported: "We now see the opportunity of opening up space to the general public."

The study predicts a "sea change" in the prevailing wisdom of the past 50 years – that "people in space would continue to be very few in number, and would be limited to highly trained professionals who, at personal physical risk, would conduct mostly taxpayer-supported scientific and technical activities there under government review".

You do not have to be a rocket scientist to see that space traffic will increase as the price of a ticket to ride comes down. But it will take rocket science, fuelled by high-pressure entrepreneurial zeal, to create a robust space tourism market.

Nasa and Lockheed Martin, the US aerospace group, have teamed up to develop what many consider the holy grail of space travel, a single-stage-to-orbit vehicle without jettisoned stages and fuel tanks or recoverable solid rocket motors. The aim is to produce a reusable commercial space liner called VentureStar, for which a subscale prototype – the X-33 – is due to begin sub-orbital test hops in July 1999.

'Eventually orbital tourism could involve 1m passengers a year'

If successfully built, Venture Star would radically reduce the cost of pushing payloads, and people, into space. "VentureStar is intended to be a four-year effort to first flight beginning in 2000. We plan to fly at the end of 2003 and press this vehicle into revenue service later in 2004," says Jerry Rising, Lockheed Martin's vice-president for X-33 and reusable launch vehicle programmes.

But big US companies are not the only organisations involved. A study released early this year by the US Federal Aviation Administration (FAA) identified two dozen private and government-supported reusable launch vehicle concepts being pursued worldwide.

While a good portion of this rocketeering is geared to the launch-for-hire business of placing in orbit such things as global communications satellites, "these vehicles may also foster new markets such as space tourism," says the FAA report. Some names attached to these dream machines underscore prospective duties: Skylon, Thunderbird, Ascender, Mayflower, Cosmos Mariner, Astroliner and Space Van.

One way of nurturing the orbiting space tourist business is to offer financial rewards. The X Prize Foundation, based in St Louis, Missouri, is offering $10m for the first organisation to address the market for sub-orbital space tourism, and more than a dozen teams worldwide are vying for the prize. It is modelled on the Orteig Prize, picked up by Charles Lindbergh for achieving the first non-stop flight between New York and Paris in 1927.

In addition, two travel and tourism companies are taking reservations for sub-orbital passenger flight – up to the edge of space and down again. At 100km up a person can officially earn the title of astronaut.

Virginia-based Space Adventures is offering a Steps to Space programme which will culminate in a flight aboard a still-to-be-built sub-orbital vehicle, expected to be available by 2001 or soon thereafter. The six-day programme is expected to cost about $90,000, including a sub-orbital trip of 45 minutes or more.

The other group, Seattle-based Zegrahm Space Voyages has teamed up with Vela Technology Development, a Virginia-based aerospace company, to build a two-component Space Cruiser System, one part of which will take passengers to more than 328,000ft in what resembles a souped-up luxury passenger jet. The flight will allow six tourists two-and-a-half minutes of continual weightlessness, says Scott Fitzsimmons, Zegrahm's vice-president. The "going rate" for the experience, part of a seven-day training and educational package, is $98,000 and the first departure is due in December 2001, he says.

Meanwhile, a much cheaper space ride of $3,500 a ticket is offered by the Houston-based Civilian Astronaut Corps. The private business's Mayflower rocket will lob six passengers and one pilot from an ocean takeoff point to an ocean landing before the end of 1999, says Harry Dace, director. The programme calls for 2,000 civilians to be flown to "astronaut altitude", he says.

As sub-orbital tourism evolves, it should help develop prospects for orbital trips in the early years of the 21st century. "We will work our way up," says Mr Rogers of the Space Transportation Association.

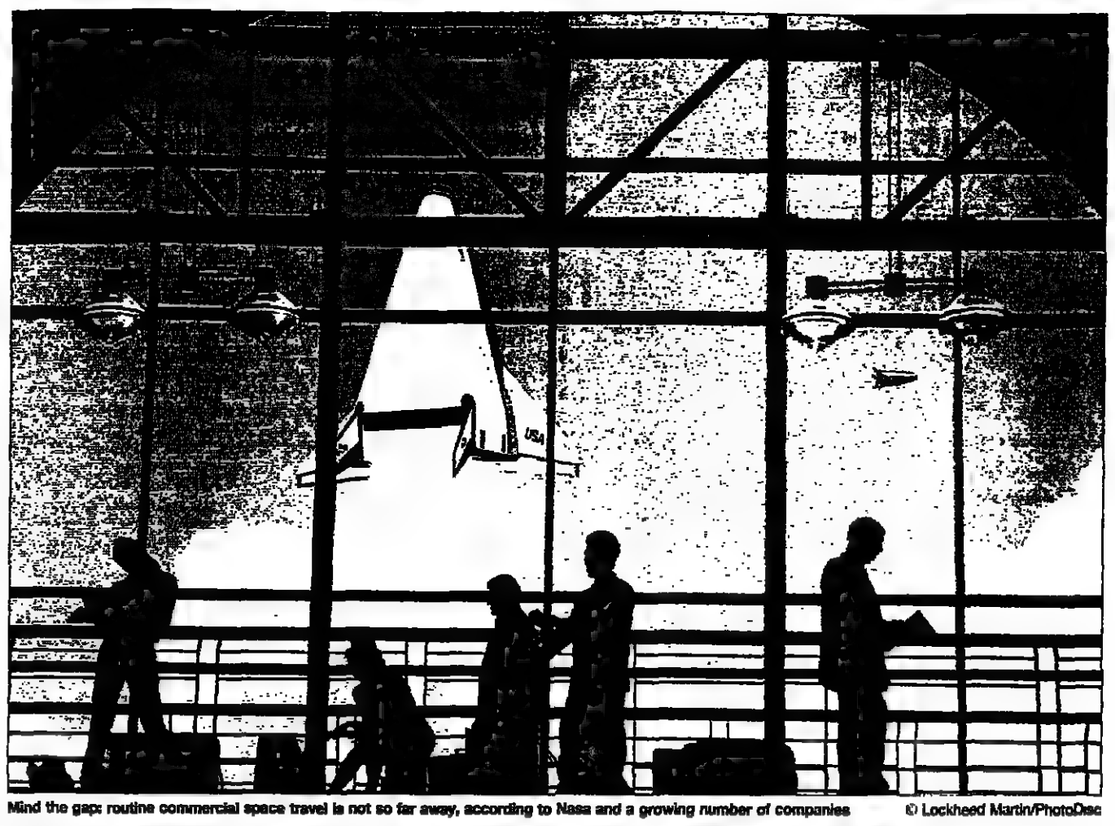
Much remains to be done, he adds, such as safety certification, as well as raising the private investment to build, test and routinely operate commercial craft.

Mr Dace says that orbital flight will cost the operator 10 to 20 times as much as its sub-orbital counterpart, because of the need for rocket boosters to achieve higher altitude and speed. "Many people will be able to afford the cost [of a ticket], but they will want to see a track record before getting involved," he says.

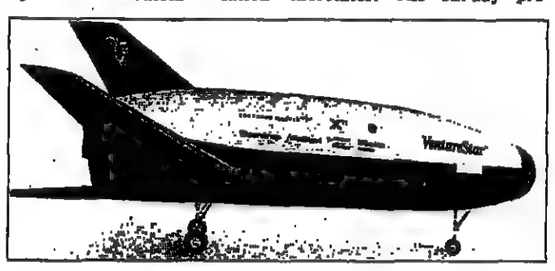
In spite of the challenges, Patrick Collins, a guest researcher in several of Japan's space-related organisations and an expert on space tourism, remains optimistic. "General public space tourism is feasible and likely to start soon," he says. Eventually, orbital tourism could involve 1m passengers a year and will become the dominant space activity, he predicts.

Dr Collins not only foresees hordes of camera-toting space tourists eyeing the earth, but – given low-cost reusable launch vehicles – he predicts there will be high-flying gymnasiums and other entertainment centres.

So, maybe we will not have to wait too long before space stopovers at an orbiting hotel become the ultimate weekend break for the upwardly mobile.



Mind the gap: routine commercial space travel is not so far away, according to Nasa and a growing number of companies © Lockheed Martin/PhotoDisc



A prototype of the VentureStar space liner (left) should begin sub-orbital test hops next July © Lockheed Martin

The Space Cruiser System (right) resembles a luxury passenger jet © Zegrahm Space Voyages

INTERVIEW SILVIO SCAGLIA OF OMNITEL

New line on Italy's mobile market

The chief executive of one of Europe's fastest-growing telecom companies speaks to **Paul Betts**

Silvio Scaglia cuts an unusual figure among his geriatric Italian corporate peers. At barely 40 years of age, he is the chief executive of one of Europe's fastest growing telecommunications companies and arguably Italy's biggest recent corporate success story.

Had it not been for Omnitel, the cellular telephone company launched by Olivetti three years ago, the venerable Italian office equipment and high-tech group would probably not exist today. "Omnitel saved Olivetti," says Mr Scaglia.

The mobile telephone venture, the brainwave of Carlo De Benedetti, the former Olivetti chairman, began life in 1995 just as its parent was plunging into financial disaster. In three years, Omnitel has become Europe's third-largest GSM cellular telephone operator with more than 4.7m subscribers in Italy. In the first half of this year it was already showing a net profit of L234bn ($131.38m). After investing L4,500bn in its start-up phase, it is maintaining a high L1,000bn a year investment rhythm.

It employs 4,500 people after recruiting more than 1,000 last year. More remarkable for an Italian company, the average age of employees is 30 and more than half are women.

The company's success and encouraging longer-term prospects recently prompted Mannesmann of Germany to increase its stake. Before the end of next February, the German company will have paid Olivetti a total of L2,400bn for a 49.9 per cent stake in the Italian group's telecommunications interests. In so doing, Mannesmann has helped secure Olivetti's future, reflected in a rise of more than 500 per cent in Olivetti's share price in the past 18 months.

Mr Scaglia, a telecommunications engineer who worked in management consulting before joining the Piaggio motor scooter group, says Omnitel started "with every disadvantage".

"At the beginning we were only a small group of people – about 150 staff helped by a further 150 outside experts, mostly foreigners – and we had in front of us Telecom Italia Mobile which was already the largest cellular phone operator in Europe. It was very powerful, part of a huge monopoly, it had good technology but was not so strong in terms of customer relations."

Omnitel had one big advantage. "Starting from scratch, we could pick our people and create a radically new entrepreneurial culture for Italy.

"We wanted smart people working as a team and we did not want to be loaded with the old guard. We cherry-picked the experiences of our shareholders including Bell Atlantic, Mannesmann, Airtouch, Cellular Communication International of the US and Olivetti – but we did not want to copy anybody. And we put the emphasis much more on marketing and attention to the customer than traditional telecom companies."

Against the heaviest odds – "we were and are in some sense still suffering from a monopolistic state-oriented culture in Italy and we were the first private company to compete directly against a big monopoly" – Omnitel decided to attack the market in a novel way.

"Traditional telecom companies had always relied on a steady and stable stream of income from fixed fees. We helped change the market in Italy by doing away with activation and monthly fees. Our philosophy was simple – let people pay for what they use. Our Italian competitor also followed us in the strategy."

'We were suffering from a monopolistic state-oriented culture in Italy and we were the first private company to compete directly against a big monopoly'

Under the Italian system, customers receive no initial subsidy from the telecom operator to acquire the first handset hardware. "So they have to make an initial investment," says Mr Scaglia. "But then our per minute phone prices are lower than elsewhere in Europe. Customers have no long-term contractual commitments and can leave us whenever they want.

"The success of our rechargeable cell phone cards is another step in this direction. The continuing growth of the Italian market also shows that mobile phones are no longer a status symbol but a useful tool for everybody."

He says there is not much difference between selling mopeds in Shanghai and cell phones in Europe. "What you have to make people realise is that they need them without knowing it."

His ultimate ambition is to see cell phones substituting traditional wireline services.

"Already our per minute wireless prices for international calls to Europe, the US, Canada and Mexico for business customers are lower than wireline," he says.

Omnitel aims to increase its share of the Italian telecom market from 4 per cent last year when the market totalled $24bn in revenues to 16 per cent of a market expected to grow to $39bn in 2005. Its aim is also to grow its share of the Italian wireless market from 15 per cent last year to 38 per cent during the next six years. By the end of July, Omnitel already had 28 per cent of the Italian wireless market.

However, a third cellular phone operator will soon enter the Italian market and possibly a fourth next year. The third operator consists of a consortium grouping Enel, the Italian state electricity utility, with France Telecom and Deutsche Telekom.

"We are still the only real private operator. The new consortium is made up of big European monopolies and Telecom Italia, although privatised, still has the Treasury as its single biggest shareholder. And there is also the government's golden share."

Omnitel is convinced it can compete successfully if the ground rules are fair: "Our big worry at present is frequencies. We need them to grow and if frequencies are not properly distributed then the market will be distorted and we will suffer."

Scaglia: 'We could pick our people and create a new entrepreneurial culture'

MARKETING CHALLENGING THE BIG NAMES

Soft sell cottons on in the bathroom

Hygiene products that 'take the paper out' have won a virtual company a toehold in a fiercely competitive market, says **Tracy Corrigan**

Tim and Willy Paterson-Brown, two Scottish brothers who have settled in Seattle, Washington, are not shy about explaining the advantages of their Purely Cotton product range of personal hygiene products. Willy produces a piece of cotton wool and a piece of wood from his pocket and asks bluntly: "Which would you rather use?"

Their company, Linters – named after the cotton by-product which is used to make Purely Cotton products – has, according to Willy, introduced the world's first toilet and facial tissues made from cotton.

"Everyone we spoke to said this couldn't be done, and even if you can do it, you can't survive in the market," he says. The reason: the tissue market is dominated by two massive companies, Procter & Gamble and Kimberley Clark, which own brands such as Kleenex and, in the US, Charmin.

Both companies have big marketing budgets. Both have aggressively chased other variations on a theme – such as moistened tissues – but they have never pursued the notion of cotton. "We can get the product on the shelves because there is a clear point of difference – a bit of variety on an aisle that is thoroughly boring," says Tim.

This has given Linters an opening to take on the big guys for at least a small slice of the market. Since they launched their cotton toilet tissue product two years ago, the Paterson-Browns say they have won a 3 per cent share of test markets in the Pacific north-west and north-east, California and the Mid-West.

If replicated on a national scale, that could add up to big money. The US bath and facial tissue industry has annual sales of nearly $5bn (£3bn). Purely Cotton products were sold in 200 stores in 1997 and will be available in 12,000 by the end of the year. The plan is to launch in the UK market in 1999 and in continental Europe in 2000.

The brothers have some canny marketing ideas. They are seeking to position Purely Cotton as a cosmetic beauty item: the tissues are gentle enough to use for removing make-up or for cleaning glasses. They are also vaunting the product's medical benefits: Willy reels off documented evidence that cotton tissue is more absorbent, less abrasive and kills more bacteria.

The Purely Cotton range consists of cotton tissues and toilet paper only, but there are plans to extend into feminine hygiene, nappies and kitchen towels. They also hope to develop products for the medical industry, such as surgical masks and examination sheets for doctors' surgeries. Tim has a powerful, if unappealing, vision of a new mother returning from hospital with Purely Cotton nappies for her baby, panty liners for herself and adult incontinence pads for grandad.

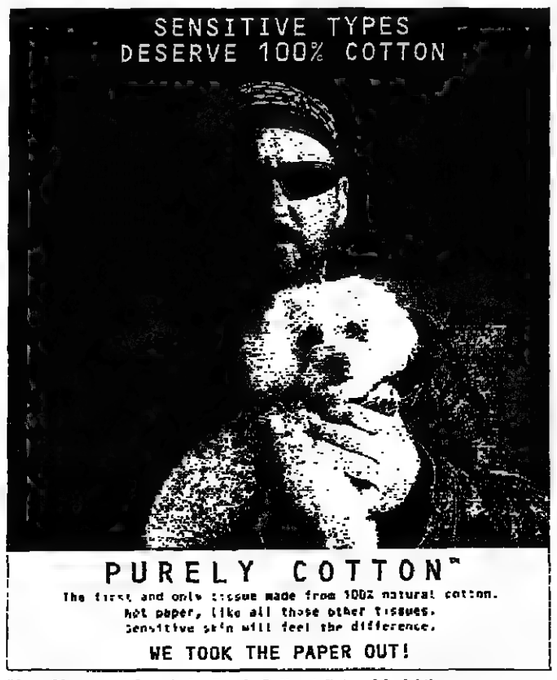
'Linters has something new in a category that has had nothing new in years'

For all its aspirations, Linters is still tiny, with 20 full-time staff. It is, say the brothers, a "virtual" company – almost every function, from sales and marketing to production, is outsourced. The private company, which Tim and Willy started with their own capital, is now financed by private equity capital, but they hope to bring it to the stock market.

There are some worries. Won't the giants step in and crush an upstart like Linters? The brothers believe they have protected themselves from competition through patents and exclusive contracts with suppliers and manufacturers. And for a price war, they argue, would be ineffective, since Purely Cotton products are already more expensive.

They add that their raw material costs will be less volatile than those for paper tissues. The cost of the linters used to make Purely Cotton products is about 10 to 20 per cent higher than wood pulp at current market prices, but the price of wood pulp has been notoriously volatile.

To compete with the massive marketing budgets of the giants, Willy admits: "We have to be creative." Its "I don't use toilet paper" line of ads are certainly thought-provoking. Furthermore, he notes that Linters has "something new in a category that has had nothing new in years".



Big softie: one of the ads for Purely Cotton toilet and facial tissues

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BUSINESS AND THE LAW TRANSATLANTIC MERGER

Salans steps out beyond the alliance

Robert Rice on implications of the Paris and London firm's merger with New York's Christy & Viener

It is no blockbuster, but it is a first. The Paris and London law firm, Salans Hertzfeld & Heilbronn is to link on January 1 with New York law firm Christy & Viener, in the first transatlantic law firm merger.

The new firm, to be known as Salans Hertzfeld Heilbronn Christy & Viener in New York and Salans Hertzfeld & Heilbronn elsewhere in the world, will have 86 partners and 350 fee earners. It will have offices in Almaty, Kiev, London, Moscow, New York, Paris, St Petersburg and Warsaw.

When Linklaters announced in July that it was linking with four members of the Alliance of European Lawyers to form Europe's biggest international law practice, the market was quick to point out what it saw as the flaws in the UK law firm's strategy.

Many observers felt that the decisions by the French and Spanish members of the Alliance not to take part left the London firm with a huge gap in its plans to form a pan-European practice.

Others focused on the fact that Linklaters & Alliance, as the new practice is to be known, was not a true merger but an alliance and was therefore unlikely, at least in the short term, to be able to meet the demands of the market for a one-stop shop approach to cross-border legal services.

And investment bankers, while praising Linklaters' move as a good first step towards providing a high-quality integrated single-firm service, expressed doubts about Linklaters & Alliance's ability to deliver the increasingly important US and of big cross-border deals.

By merging with Christy & Viener, Salans believes it has tackled, albeit in a different sector of the legal services market, at least two of those concerns. First, it is a full merger and not an alliance; and second, it will now have a credible presence in the US.

The swing against alliances is gathering momentum. The view in Europe appears to be that they do not work other than superficially. Last week Pünder Volhard Weber & Axster, one of Germany's leading commercial law firms, announced that it was disbanding its international alliance with firms in the Netherlands, Austria, Switzerland, Belgium and France.

Thomas Gasteyer, Pünder's managing partner, declared: "The era of alliances is over. Clients expect to receive advice from one source. We are convinced by the principle of the one-stop shop."

Robert Starr, the US attorney who is joint managing partner at Salans's London office, agrees, dismissing alliances as "marketing vehicles to promote the concept of one-stop shopping" on behalf of a group of independent law firms.

"We wanted to create a unified multinational partnership. That's what is missing from these other links. To meet the challenges of global business we feel you need to be integrated internally, strong in the domestic markets in which you operate, strong in the core practice areas relevant to multinationals and able to do the cross-border work. Others [firms] are afraid to go this far."

The merged firm will therefore operate as one partnership, with a management committee comprising two partners from each of the London, Paris and New York offices and a unified profit sharing system. No one office will be dominant, however.

Mr Starr also believes that if law firms want to service global business, they need increasingly to be transatlantic. "The merger will allow us to offer a much more comprehensive service to European clients with North American projects and interests and to North American clients with European projects and interests," he says.

The timing of the merger has everything to do with economic and monetary union and the start of the euro on January 1.

The timing of the merger has everything to do with economic and monetary union

Mr Starr says the merged firm will be well placed to compete with the larger US and UK international law firms in the markets in which it operates in its core areas of banking, restructuring and recovery, corporate and structured finance, litigation and arbitration, employment and tax.

"Our merger creates a firm with strong local law practices in each country and integrated multi-office practice groups," he says.

So what does each firm bring to the party? Salans, which was set up in Paris just 20 years ago, is best known for its strength in Russia and eastern Europe particularly in the financial services, energy and natural resources and high-technology sectors. Jeffrey Hertzfeld, the senior partner, has been active in Russia since the early 1970s. Among its clients in eastern Europe and the former CIS countries are Amoco, Coca-Cola, Gillette, RJR, McDonald's and several leading international financial institutions. In western Europe its clients include Royal Bank of Scotland, Barclays, Lloyds TSB, Volvo and Pfizer.

Christy is also just over 20 years old – although it traces its origins back to the 1930s when Francis Christy played a leading role in the development of New York's Rockefeller Center. Like Salans it has a strong reputation in litigation and also specialises in bankruptcy and restructuring and corporate and securities work. Crucially for Salans, Christy is also active in both Asia and Latin America. Among its clients are Central and South West Corporation, Assicurazioni Generali, New York Life Insurance Company, and a large number of European and Asian financial institutions, such as Crédit Lyonnais, NatWest, the Securities Transfer Association and the Swiss Helvetia Fund.

The objections voiced by most US and European firms to transatlantic mergers focus on differences in profitability and culture. Generally, US firms with their higher number of assistants per partner are the more profitable. In the case of the Salans/Christy merger, however, neither factor is a problem. Although Salans is much the larger firm, profitability is comparable. It is also difficult to think of many firms that are better placed than Salans, with 12 nationalities among its 57 partners, to absorb cultural differences.

With the first transatlantic merger out of the way it remains to be seen how soon and how many others will follow suit. If Thomas Gasteyer is right and legal services are moving firmly into the era of the one-stop shop, the answer ought to be a significant number and sooner rather than later.

Signing up: Salans's Robert Starr (left) with joint managing partner Roger Abrahams — Trevor Humphries

Ruling on EU state aid to Eni quashed

European court

In a case brought by BP Chemicals, the European Court of First Instance last week quashed a European Commission decision allowing an Italian state capital injection of L3,000bn ($1.65bn).

In 1992 and 1993, Eni, the Italian state holding company, made two capital injections, totalling L1,794bn, into its chemicals subsidiary EniChem. The Commission opened a formal state aid inquiry in 1994.

The UK Department of Trade and Industry objected. BP Chemicals was a member of the working group which helped the department draw up its complaint.

During the Commission's inquiry, the Italian authorities said they envisaged making a third injection of L3,000bn as part of an overall restructuring of EniChem.

Without extending its inquiry to cover the third injection, the Commission issued a decision finding that the first two injections were state aid but could be approved and that the third injection was not state aid, because a "market economy investor" would have contributed the capital.

BP applied to the Court to have the decision annulled. The UK government supported it. Italy, Eni and EniChem supported the Commission.

The Court rejected the Commission's submission that BP was out of time. However, on procedural grounds, it rejected BP's challenge on the first two injections. It had failed to inform the Commission directly of its views and the fact that it had participation in the DTI working group was not sufficient to give it standing.

BP argued it was impossible to review the third injection in isolation and, in any event, no private investor would have made it. The Commission was therefore obliged to open a formal inquiry.

The Court ordered the Commission to produce the original calculation it had made to support the decision's finding that the cashflow from the investment would have been satisfactory to a private investor over a 10 year period.

The Commission produced a table. After the hearing it informed the Court that it was not from its file but was a later reconstruction. The Commission submitted new tables and at a second hearing asked the Court to disregard the first.

The Court referred to case law, stating the Commission was obliged to open an inquiry whenever it had doubts about state aid. The same was true when the Commission had doubts as to whether the measure constituted aid at all.

It said the Commission had encountered serious difficulties in two respects: whether the third injection should be examined in isolation, and whether the present value of the cashflows would have attracted a private investor.

The Court examined the proximity in time of the three injections, their common purpose (the restructuring) and the situation of EniChem at the time they were made (heavily loss-making).

It concluded that the Commission should have had serious doubts about separating the three injections. Turning to the cashflow calculation, the Court noted several inconsistencies between the Commission's tables and explanations given to the Court.

Since the Commission had abandoned the first table, the Court could not ascertain what calculations had been made at the time.

The Commission had therefore infringed BP's rights by not opening an inquiry into the third injection.

T-11/95 BP Chemicals v Commission, CFI 2CE, September 15 1998.

BRICK COURT CHAMBERS, BRUSSELS

PEOPLE ON THE MOVE

Royal Bank of Scotland expands into Germany

Royal Bank of Scotland is expanding its acquisition finance business, one of the leading participants in the UK takeover market, into continental Europe.

Its first move is into Germany, where RBS has recruited **Michael Föcking** from BHF-Bank to head the new Frankfurt office. Föcking will be joined in due course by a BHF colleague, **Jochen Koenig**. The third member of the Frankfurt team is **Martin Block** from RBS's UK operation.

Two executives who will open a second new office in Paris are expected to be appointed soon.

Föcking spent five years at BHF-Bank, where he was involved in many acquisition finance deals, as well as the complex financial restructuring of German companies.

He will report to Leith Robertson, head of RBS's new leveraged finance group. It incorporates the acquisition finance business which Robertson has headed since its creation in 1993, and RBS Mezzanine, of which he is managing director.

RBS has provided £3bn in debt to 226 companies in buy-out deals since the unit was set up five years ago. Through syndication and early paydowns, only 40 per cent of the total is still outstanding, Robertson said.

Although RBS will continue to focus on middle market deals – providing debt financing in the £10m to £100m range – the reorganisation and continental expansion is intended to signal its willingness to tackle larger transactions.

Robertson said: "We believe that the German economy and the German industrial base will be able to deliver the quality of credit in the businesses that we like."
Clay Harris, London

Deutsche Telekom appoints Brauner

Deutsche Telekom, the German telecoms giant, has appointed **Josef Brauner** to its management board where he will take responsibility for the group's newly-created "sales and customer care" division.

Deutsche Telekom said his appointment reflected a policy of boosting customer service – an area that has not always been a strong point at the former monopoly carrier, which was partially privatised in 1996.

Like Ron Sommer, Deutsche Telekom's chairman, Brauner, 48, joined Deutsche Telekom from the Sony electronics group. Until April 1997, Brauner headed the management team at Sony Deutschland in Cologne. He then switched to Deutsche Telekom, becoming head of its main sales department.

Meanwhile, Deutsche Telekom said **Detlev Buchal**, who has responsibility for much of the group's multimedia activities, would take over a new "product marketing" division.

Sommer said that the appointments would ensure "the business responsibilities within Deutsche Telekom's management board reflect all aspects of business processes, including development, production, product marketing and sales".
Ralph Atkins, Bonn

Thompson to Gold Fields

Gold Fields, the new company created out of the gold interests of Gencor and the soon-to-be disolved Gold Fields of South Africa, has taken the unusual step of appointing a Canadian – albeit one born in Johannesburg – as its new chairman.

Chris Thompson has spent the last 25 years promoting and financing gold mining projects. He is to replace Brian Gilbertson, who will henceforth focus his attention on Billiton, the London-based metals group spun off from Gencor last year.

Thompson's international financial expertise is designed to complement the operational skills of Tom Dale, the managing director, who is rapidly increasing Gold Fields' profits with an intense programme of rationalisation.

Thompson, aged 50, who will move from Denver, Colorado, to Johannesburg, says one of his aims is to persuade investors to raise their ratings of South African gold mines, which have traditionally been ill-regarded because of perceived "political risk" and the complicated structure of the old mining finance houses.

Gold Fields' market capitalisation in relation to its gold production is about a third of what it would be in north America, which makes it more expensive to raise capital for expansion. Thompson says his objective is that "at a minimum we should be on the same rating basis that they are".

Gold Fields' costs have been falling rapidly since the company was established eight months ago, and the company is amassing a war chest for international expansion. Thompson says the board will work out a new international strategy by the end of February next year.
Victor Mallet, Johannesburg

Astra re-organises its research

Astra, the Swedish pharmaceuticals group, has announced a re-organisation of its research and development activities based around its therapeutic areas.

In future, all clinical research projects by Astra – the producer of Losec, the world's top selling prescription drug – will be organised along therapeutic lines.

Five new therapeutic area directors have been named. **Martin Nicklasson** will oversee the gastrointestinal area. **Colin Reddrop** will manage the respiratory area, **Lars Walan** is to head the cardiovascular section and **Carl-Johan Dalsgaard** the pain control business. **Gosta Jonsson** will manage the area researching the central nervous system.

The company also named new site managers for its Charnwood facilities in the UK and its Draco and Hässle sites in Sweden. They are **Roy Eady**, **Cecilia Schelin-Seidegard** and **Peter Edman** respectively.

Uli Hacksell, formerly president of the Draco site, has been appointed as vice-president in charge of drug discovery and technology in the new R&D organisation.

"Research is the life-blood of Astra's business and decisive for our future development," said Hakan Mogren, chief executive. "By organising our R&D activities according to our therapeutic areas, the distribution of responsibility will be clearer and our activities can be conducted more efficiently."
Tim Burt, Stockholm

UDV promotes Menezes

Ivan Menezes has been promoted to the most senior marketing job at United Distillers & Vintners, the spirits and wine business of Diageo, the UK-based drinks group, where he will be responsible for a clutch of the world's leading spirits brands.

Menezes, 39, becomes global commercial and strategy director. He will be responsible for developing global growth strategies for UDV's portfolio of spirits brands including Smirnoff, Johnnie Walker, Gordon's Gin, Baileys and Malibu. He will join the UDV executive committee and will report to Jack Keenan, UDV's chief executive.

Joining Guinness in 1997 as strategy director he became integration director for Diageo and UDV on the merger of Grand Metropolitan and Guinness. He has worked at Nestlé, Whirpool and Booz-Allen and Hamilton. He succeeds Alan Cordery.

● Commerzbank Capital Markets Corporation, the New York arm of Commerzbank Global Equities, has appointed **Nick Hiley** head of Pan-European sales, New York. Hiley joins Commerzbank from Warburg Dillon Read, New York, where he had been executive director and joint head of European sales.

● BBC Worldwide has appointed **Helen Jackson** to the new role of director of Independents. She was previously head of international distribution strategy at the BBC.

هكذا من الأصل

Thrown by the plates and pots of Picasso

William Packer changes his mind about the artist's witty, decorative ceramics

A long lifetime on from the great Cubist experiment and "Les Demoiselles", there are still people who see Picasso as a fraud and a charlatan, and his work as an affront to their intelligence. Then there are those for whom the Master can do no wrong, whose every mark and gesture and passing fancy are instinct with genius, not to say significance. But no artist, however great, is infallible, and it is that very fallibility which makes great gifts remarkable. With Picasso, whose endless career followed so many shifts and turns, there were inevitably periods of doubt and uncertainty, of open experiment and but qualified success.

For us today, able now to look back with some detachment and objectivity, we can see that the work of the last 10 to 15 years of his life, when he was in his 80s, which at the time seemed to mark so desperate and tragic a falling-off, was in fact among the most important passages of all. Look back a decade further, through the 1950s, and we find, by contrast, work that is for the most part decorative, bright and cheerful, and emptily formulaic, the least interesting of all. Since this was the period more or less coincidental with his engagement with ceramic, I had been inclined to lump his work in that medium in with the rest of it, and write it off: it always seemed clever enough in formal terms, charming, witty, full of fun, but it was hardly to be taking seriously. He didn't even throw his own pots.

How wrong can you be. The comprehensive exhibition now at the Royal Academy of Picasso's pots and plates, the first ever to have been put together on such a scale, is a revelation.

His interest in the medium took root in the summer of 1946 when, at the invitation of the proprietors, Georges and Suzanne Ramié, he visited the Madoura workshop they had set up just before the war at Vallauris, near Antibes in the south of France. It was not so much a traditional pottery as one established in a traditional pottery-making area, with a local man, Jules Agard, installed as master-craftsman.

Their close collaboration would last into the early 1960s, with Agard moulding or throwing the basic earthenware forms, loosely founded on the rather chunky local fashion – plates, jugs and pots – under Picasso's supervision, who would then squeeze or stretch them, or add to them as necessary, and paint on them the often whimsically decorative images for the firing – birds and beasts, old men and young women, the sun and the moon, and often a lugubrious hint at self-caricature.

All are one-off examples in that no pattern or image is exactly repeated, but Agard would often produce a short run of a particular form, if only a couple, upon which Picasso could then work his variations. The first things we see are some identical plates variously incised and glazed, or actually modelled into low relief, with images of faces, fishes, fork and spoon. Both in form and decoration, the reference is as eclectic as one would expect, though reference is perhaps rather too absolute a term for so richly personal, quixotic and instinctive a response. The sources may lie half-remembered deep in the artist's knowledge of domestic pottery from Roman to late-medieval times, and from Vallauris to Peru. Here are hints of Tanagra figurines, Etruscan grave-goods, Cycladic offerings to the gods. The drawing looks to Egyptian tomb-painting and Greek vases. But always it is Picasso, drawing quite as much back into his own past work, who makes with every mark, every touch, every tweak, something entirely new and fresh, and entirely his own.

Some of the forms are wonderfully complex in their formal arrangement of spouts and handles, and no less inventive in their anthropomorphic or natural suggestion – beaks and wings, hips and breasts, bird jugs and female bottles – but the simplest and purest forms are no less powerful. Two tall bottles, a perfect pair, face each other across the room, the one black, the other white, each with a tall slim neck, and each with the image of a bird teased with authoritative simplicity upon its full, fat body. A tiny woman, pinched out of a scrap of clay, scurries along, holding her skirts.

Picasso as an artist was always intrigued by process and technique, ever open to the new experiences and the creative possibilities they afforded. He was always a magpie and an improviser, and had been improvising sculpture all his life. He was, moreover, never less than serious in his play, for all the fun it clearly gave him.

It was chance, perhaps, that took him to Vallauris, or perhaps that invitation merely chanced to catch him on a good day. A change is as good as a rest, they say, and the Vallauris pottery allowed him the creative distraction he needed. Goodness knows, he put it to good use.

Potty about Picasso: 'Mounted Cavalier' jug, 1950-51

Picasso – Painter and Sculptor in Clay: The Royal Academy, Piccadilly, London W1 until December 16, then to the Metropolitan Museum of Art, New York: sponsored by Goldman Sachs International.

AMSTERDAM OPERA GOTTERDAMMERUNG

Light goes out on high-tech Ring cycle

In spite of big ideas on scenic design, Audi's production added little to either the drama or the music, writes **Richard Fairman**

At least the Netherlands Opera got its timing right. While none of the first-division opera houses of the world has a new production of Wagner's *Ring* cycle under way, Amsterdam has captured the limelight.

A year in the making, the Dutch *Ring* has reached completion with *Götterdämmerung*. To those who have followed it from the beginning, the two points that will stick in the memory are how much it must have cost and the extraordinary feat of rebuilding the stage before each performance. For this final opera the "danger seats" for the audience high above the stage disappeared even further up into the roof, leaving a row of tiny faces peering down nervously from on high.

What has this new *Ring* added up to? Not enough, considering how little it has added to our knowledge of either the drama or the music. The promise of a production by Pierre Audi, respected man of letters and deeds in the arts world, has certainly not been met by a staging that repeatedly substitutes effects for any deeper response to the operas. But it is measure of the poverty of inspiration among the current crop of producers that even his disappointing effort has more to commend it than the most recent productions in Bayreuth (feeble), London (puerile) and Paris (vacuous).

However low it has set its sights in terms of interpreting the drama, Audi's *Ring* has always had big ideas about scenic design. *Götterdämmerung*, naturally enough, proved to be the biggest of all. The broken circle that had formed an element of the stage in each of the previous operas now joined up to create a complete ring that swirled out over the orchestra pit, across the front of the stalls, and way up into the flies. Even Norma Desmond never had a grander entrance than the five-minute descent down its right-hand curve.

On stage the most prominent feature was that modern producer's cliché – the single light-bulb hanging from the ceiling. Contrary to previous form, Audi ventured a number of insights, for example bringing both Siegfried and Gunther to the Valkyrie rock to claim Brünnhilde, a valid gloss on the original. But it was a less happy idea to turn the chorus into faceless robots programmed to jerk to the beat (at the word "Ring" they all predictably raised a finger in the air). If Wagner had wanted to compose a soundtrack for *Invasion of the Zombies* he would surely have written different music.

Still, the soloists had a better deal, as they were able to project from the protruding part of the ring. Lowering there, bald-headed, eyes rolling, a fearsome presence, Kurt Rydl held the audience spellbound and sang with blazing force. His Hagen completely dominated the performance, leaving little room for Wolfgang Schöne's unsteady Gunther or the Gutrune of Eva-Maria Bundschuh, struggling with a voice that no longer carries. Henk Smit returned as an effective Alberich and Anne Gjevang made a sturdy impression as Waltraute. The Rhinemaidens were more than acceptable, the Norns less so.

About the two principal singers it is hard to give an unqualified response. Heinz Kruse's Siegfried is an artistic example of what managers call the Peter Principle: a more than able character tenor has ascended to ever heavier roles, arriving finally at the *Götterdämmerung* Siegfried, in which he neither sounds nor looks remotely heroic. Jeannine Altmeyer won one's sympathy by giving everything she has, but regretfully that does not include the stamina for her role or – sometimes – its top notes. What would Birgit Nilsson say of a Brünnhilde who has to miss out the climactic top C of the great dawn duet?

If Wagner had wanted to compose a soundtrack for 'Invasion of the Zombies' he would surely have written different music

One of the novelties of this *Ring* is that each opera has involved a different orchestra playing from a different position, in *Götterdämmerung*'s case the Netherlands Philharmonic in a partially covered pit from where the sound emerged dull and dampened. But the combination seems to have roused the conductor, Hartmut Haenchen, from his former stupor. The drama of the second act was driven along at a furious pace and, after a powerful Funeral March, he brought the cycle to a satisfyingly demonstrative conclusion.

At this point Audi could resist no longer. His high-tech *Ring* had to live up to its reputation: for its closing tableau there were explosions of light, Wotan's spear crashed through the roof, the back wall rose and fell, strip lighting flashed red and blue, and a jumble of modern machinery appeared on the stage, the clinching symbol of the entire theatrical concept. Then the single light-bulb went out.

Victims of a contradictory government project: scene from David Feldschuh's fictional reconstruction of the infamous Tuskegee experiment in Alabama

Sorry seems the hardest word

THEATRE

IAN SHUTTLEWORTH

Miss Evers' Boys
The Pit, Barbican, London EC2

One of the apologies which sprang more easily to president Clinton's lips was for the Tuskegee experiment, in which hundreds of black men suffering from syphilis in rural Alabama were monitored over a period of 40 years while treatment was withheld. Physician and playwright David Feldschuh has fictionalised the experiences of the nurse involved in the experiment, Eunice Rivers – here renamed Evers – for what was first an Emmy-winning TV movie, and is now a theatrical production by Santa Fe Stages, visiting the Barbican as part of its international theatre programming.

Responses to the piece can be complex: scenes which have an immense potency at the time diminish with distance to seem part of a deliberately "button-pushing" emotional approach, although the outrage at the Tuskegee project itself remains. Indeed, the project was laden with similar contradictions: originally conceived as a way of regaining government funding to treat the patients, it became a reason to refuse them such treatment; in order to prove that syphilis knew no racial discrimination, it was deemed necessary to allow several hundred black people to die. Those who survived were those who "deserted".

Feldschuh's strong, sensitive script focuses on a quartet of amateur song-and-dance men who name themselves Miss Evers' Boys in honour of the nurse who treats them with respect and humanity. Lorey Hayes' Miss Evers begins the project with reservations and ends on the horns of a dilemma: scenes from 1932 and 1946 are interspersed with her testimony to a Senate hearing on the project in 1972.

The "Boys" are a deliberately diverse bunch – the folk-healer, the cynic, the aspiring dance star and the stoical older man; the medical staff likewise cover a spectrum, from Miss Evers' ethical anguish through the local consultant's uneasy collaboration to the paper-pushing heartlessness of the government doctor (the only white character in the play).

Several scenes have immense power: the initial bonding between visiting Dr. Douglas and Willie the dancing fanatic as they awkwardly reconstruct a half-remembered dance routine, the lengthy and agonising portrayal of a spinal tap; or when the elderly, crippled Willie, outside the hearings, forces Nurse Evers and the doctors to watch whilst he listens to a gramophone and, unable to dance, recites his old routine step by step.

However, despite a clutch of uniformly excellent performances under the direction of Martin L. Platt, *Miss Evers' Boys* retains a niggling sensation that it is more naturally a movie, and one intended less as testimony than liberal penance: like that presidential apology, its purpose is to make *us* feel better through mortification.

Until October 3 (0171 638 8891).

INTERNATIONAL Arts Guide

AMSTERDAM

DANCE
Het Muziektheater
Tel: 31-20-551 8911
Nederlands Dans Theater I: triple bill comprising Sinfonietta by Jiří Kylián, Grass by Mats Ek, and Start to finish by Paul Lightfoot; Sep 25, 26

OPERA
Netherlands Opera, Het Muziektheater
Tel: 31-20-551 8911
Götterdämmerung: by Wagner. New staging by Pierre Audi, conducted by Hartmut Haenchen; Sep 23, 27

BIRMINGHAM

CONCERT
Symphony Hall
Tel: 44-121-212 3333
City of Birmingham Symphony Orchestra: conducted by Sakari Oramo in works by Sibelius, Dutilleux and Mahler; Sep 24

BOSTON

EXHIBITION
Museum of Fine Arts, Boston
Tel: 1-617-267 9300
Monet in the 20th Century: more than 80 works painted by the artist in the last decades of his life. Beginning with paintings of the garden at Giverny, the show concludes with five of the monumental waterlily paintings that Monet himself called Grandes Décorations; to Dec 27

BUDAPEST

EXHIBITION
Museum of Applied Arts
Tel: 36-1-217 5222
Zsolnay: Art Nouveau Ceramics. Display of 200 objects made between 1897 and 1918 at the family-owned Zsolnay factory in Pécs. Includes goblets, vases and other objects; to Sep 27

CHICAGO

EXHIBITION
Art Institute Of Chicago
Tel: 1-312-443 3600
www.artic.edu
Julia Margaret Cameron's Women: 60 vintage prints of Victorian subjects such as Julia Jackson, mother of Virginia Woolf, and Alice Liddell; to Jan 10, then transferring to San Francisco

OPERA
Lyric Opera of Chicago
Tel: 1-312-332 2244
www.lyricopera.org
La Gioconda: by Ponchielli. Conducted by Bruno Bartoletti in a staging by John Copley. The title role is sung by Jane Eaglen; Sep 26

COPENHAGEN

EXHIBITION
Louisiana Museum of Modern Art, Humlebaek
Tel: 45-4919 0719
www.louisiana.dk
Joan Miró: major retrospective comprising 140 paintings, drawings and sculptures, including works borrowed from the artist's family; to Jan 10

GLASGOW

OPERA
Theatre Royal
Tel: 44-141-332 9000
The Magic Flute: by Mozart. Scottish Opera production by Martin Duncan, conducted by Richard Farnes; Sep 23, 26

LONDON

CONCERTS
Barbican Hall
Tel: 44-171-638 8891
London Symphony Orchestra: Sir Colin Davis conducts works by Mozart and Bruckner in the opening concert of the autumn season. With piano soloist Radu Lupu; Sep 23, 24

Royal Festival Hall
Tel: 44-171-960 4242
Philharmonia Orchestra: conducted by Kurt Sanderling in works by Brahms, Beethoven and Shostakovich. With piano soloist András Schiff; Sep 22, 26

EXHIBITION
Royal Academy of Arts
Tel: 44-171-300 8000
Picasso: Sculptor and Painter in Clay. This first major exhibition of Picasso's ceramics includes around 100 pieces, many of which have never before been exhibited; to Jan 1

OPERA
English National Opera, London Coliseum
Tel: 44-171-632 8300
Otello: by Verdi. New production by David Freeman, designed by Tom Phillips and conducted by Paul Daniel/Mark Shanahan. David Rendall sings the title role; Sep 22, 25

LOS ANGELES

OPERA
L. A. Opera, Dorothy Chandler Pavilion
Tel: 1-213-972 8001
www.laopera.org
● Carmen: by Bizet. Washington Opera production by Ann-Margret Pettersson, designed by Lennart Mörk. The conductor is Bertrand de Billy and the title role is sung by Jennifer Larmore; Sep 22, 25
● Werther: by Massenet. Conducted by Emmanuel Joel in a co-production with Théâtre du Capitole Toulouse staged by Nicolas Joël and designed by Hubert Monloup. The title role is sung by Ramón Vargas; Sep 23, 26

MUNICH

CONCERTS
Philharmonie Gasteig
Tel: 49-89-5481 8181
● Kremerata Musica: conducted by Gidon Kremer in Piazzolla's Maria de Buenos Aires; Sep 24
● Munich Philharmonic Orchestra: conducted by Heinrich Schiff in works by Beethoven, Hindemith and Mahler; Sep 22

NEW YORK

CONCERTS
Avery Fisher Hall, Lincoln Center
Tel: 1-212-875 5030
www.lincolncenter.org
New York Philharmonic: Kurt Masur conducts Beethoven – The Complete Symphonic Cycle. Programme II (Sep 22), Programme III (Sep 24, 25), Programme IV (Sep 26, 28)

EXHIBITIONS
Museum of Modern Art
Tel: 1-212-708 9480
www.moma.org
● Love Forever – Yayoi Kusama, 1958-1968: display of works by the Japanese artist (b.1929), who came to prominence in the late 1950s while living and working in New York. This display includes installations and a film as well as paintings, sculptures, photographs and collages; to Sep 22
● Tony Smith (1912-1980): Architect, Painter, Sculptor. Includes some 50 paintings and 50 drawings, as well as plans, sketches, photographs and models of architectural projects; to Sep 22

OPERA
New York City Opera, New York State Theater
Tel: 1-212-870 5570
www.nycopera.com
Partenope: by Handel. Directed by Francisco Negrin and conducted by George Manahan. Lisa Saffer sings the title role; Sep 22, 26

PARIS

DANCE
Théâtre des Champs Elysées
Tel: 33-1-49525050
● Cuban National Ballet: Swan Lake, in a staging by Alicia Alonso; Sep 22, 25, 26, 27, 28
● Cuban National Ballet: Giselle, in a staging by Alicia Alonso; Sep 23, 24

EXHIBITION
Musée d'Orsay
Tel: 33-1-4049 4814
www.Musee-Orsay.fr
Millet/Van Gogh: display of 85 works brought together to demonstrate the influence of Millet on the work of Van Gogh. These include paintings, drawings and pastels by both artists, many of them on loan from the Van Gogh Museum in Amsterdam; to Jan 3

SAN FRANCISCO

OPERA
San Francisco Opera, War Memorial Opera House
Tel: 1-415-864 3330
www.sfopera.com
A Streetcar Named Desire: world premiere of a new opera by André Previn, with a libretto by Philip Littell based on Tennessee Williams' play. The staging is by Colin Graham, with designs by Michael Yeargan. André Previn conducts and the cast includes Renée Fleming; Sep 23, 26

TOKYO

CONCERTS
Suntory Hall
Tel: 81-3-3584 9999
Etsuko Terada: recital by the pianist of works by Beethoven and Brahms, with the Japan Philharmonic Symphony Orchestra conducted by Naoto Otomo; Sep 22

TV AND RADIO

● **WORLD SERVICE**
BBC World Service radio for Europe can be received in western Europe on medium wave 648 kHZ (463m)

EUROPEAN CABLE AND SATELLITE BUSINESS TV

● **CNN International**
Monday to Friday, GMT:

06.30: *Moneyline with Lou Dobbs*
13.30: *Business Asia*
19.30: *World Business Today*
22.00: *World Business Today Update*

● **Business/Market Reports:** 05:07; 08:07; 07:07; 08:20; 09:20; 10:20; 11:20; 11:32; 12:20; 13:20; 14:20.

At 08:20 Tanya Beckett of FTTV reports live from LIFFE as the London market opens.

COMMENT & ANALYSIS

PETER MARTIN

Why stop there?

Companies have been closing down corporate headquarters. They should go further, and break themselves up

Sometimes fantasies come true. Any manager labouring under the bureaucratic lash will rejoice at the news that Royal Dutch/Shell is to close four national head offices, in Britain, the Netherlands, France and Germany.

This is just an interim fantasy, of course: the ultimate prize must be the abolition of global headquarters itself, along with its gilded ranks of strategists and co-ordinators.

Surprisingly, front-line managers are not alone in this daydream. Chief executives have it too. Head offices – whether of national subsidiaries, global lines of business, or the company as a whole – are repositories of received wisdom, "the way we do things round here".

That is why they exist. It is also why they are the enemy of any chief executive bent on change. To succeed, he must first tackle head-on the army of "helpers" who enmesh him in an invisible web of tactful restrictions. Like Gulliver restrained by the Lilliputians, he tosses restlessly, dreaming of escape.

Powerful but unattainable desires call forth their own pornography. In this case, the peddlers of torrid fantasy are Bruce Pasternack and Albert Viscio, of Booz-Allen & Hamilton, the management consultants. In a book* earlier this year, they hymned the "centreless corporation", in which the company headquarters was replaced by a "global core".

In their ideal company, "the global core consists of little more than the CEO and his immediate team". Floating weightlessly, relocating itself from country to country at the whim of each new chief executive, the tiny global core "does only the things the businesses themselves cannot do".

That is, it provides strategic leadership, spreads knowledge and people; creates an identity; ensures access to low-cost capital; and exerts control over the enterprise as a whole. In the Pasternack/Viscio view, these tasks are overseen by a few people in the core, but carried out by workers in the rest of the company.

"There is, for example, a human resources component in the global core, but it deals strictly with high-level strategy, leadership development and allocation of key people, while things like payroll and benefits administration are carried out in business units or in a service organisation."

There is nothing particularly new about the idea of a very small head office. Conglomerates based on pure financial controls – such as Hanson in its glory days or more recently the companies controlled by Kohlberg Kravis Roberts – are run by a handful of people. Indeed, the Lancashire cotton mills, which Pasternack and Viscio castigate as the originators of command-and-control management, were models of administrative lean-ness.

The significance of the authors' approach does not lie in the novelty of their study's recommendations, but in the light it casts on the deep yearnings of big-company bosses – many of whom they interviewed as part of their research.

Secretly, the people who run the world's biggest business organisations want to escape from the rest of us. They are organisation men who hate the organisation. Their ideal world is one in which they deal "strictly with high-level strategy", leaving the trivial task of executing it to others.

The irony is that their principal enemy, the big corporate headquarters, is itself a relic of similar cravings. Previous generations of bosses built these big head offices to avoid too much contact with day-to-day business realities.

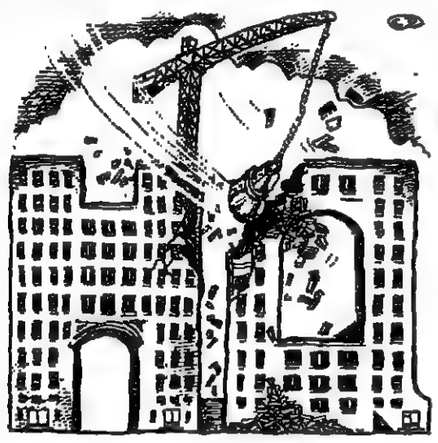
Now even this bloodless hierarchy seems too contrary and unmanageable. The new fantasy does without it altogether, controlling the corporation by electronic fiat.

If this is indeed the attitude of today's big-company bosses, it is scarcely surprising that so many of them have been willing to take a chainsaw to the companies they have inherited. They are rarely willing, however, to take such a drastic approach to their own power.

The answer is surely a more radical one. If a company can indeed be run by five people in cyberspace, the links between its constituent parts must be very tenuous. In such a case, the argument for its continued existence as a single whole is equally vestigial. The company's individual units – its operating divisions and support services – would surely prosper just as much as separately run, separately quoted businesses.

This is, in fact, the hot topic in Shell's internal debates. The decision to close a few national head offices scarcely touches on this issue. But by calling into question how much value a few layers of intermediate management create, it opens the door to the much more challenging question of value created at the centre.

The future of the big centrally managed company was first called into question in the 1980s; since then, years of sustained prosperity and stock market outperformance have made the issue seem irrelevant. But if those golden years for giant companies are drawing to an end, it will force its way back on to the agenda. And then the abolition of group headquarters will no longer seem a fantasy.



**The Centerless Corporation: A new model for transforming your organisation for growth and prosperity by Bruce A. Pasternack and Albert J. Viscio, Simon & Schuster, New York, 1998. Quotations come from the authors' accompanying article in Strategy & Business quarterly, Q3 1998, Booz-Allen & Hamilton, New York.*

peter.martin@FT.com

LETTERS TO THE EDITOR

Camdessus should take a lesson in the art of market psychology

From Soroosh Shambayati.

Sir, What distinguishes Alan Greenspan, the Federal Reserve chairman, from Michel Camdessus, managing director of the International Monetary Fund (FT Interview: "Coming out fighting", September 17) is an understanding of psychology. Mr Camdessus and his team at the IMF have repeatedly demonstrated a disregard not only for market psychology but also for the political implications of their actions.

The IMF's mission is to help countries in times of financial distress. To implement the IMF programmes successfully, governments need the popular support of their people as well as credibility in the financial markets. Ignoring this, the IMF, almost as if deliberately, has belittled and embarrassed every government to which it has extended its financial assistance.

Few in Indonesia will forget the image of Mr Camdessus, arms folded and towering over the once-mighty Suharto, signing the IMF agreement. And who knows how much damage the Kiriyenko government suffered, both internally and in the financial markets, when the IMF delayed $850m of prescheduled payment to Russia? Later, it disbursed billions more but only after it was too late.

This is not to say that the IMF should not require implementation of strict economic measures. Nor should it endorse a government that it believes to be corrupt and ineffective.

But disbursing billions of dollars while stripping from the recipients every bit of credibility is shooting yourself in the foot. Liquidity squeezes are as much about perception as about fundamentals.

Mr Camdessus, as an experienced banker, should know better than to suggest a "short-term debt freeze" unless he deliberately wishes to precipitate a few defaults.

Alan Greenspan has shown how timely and strategically well-placed commentary can achieve desirable market reactions. Mr Camdessus and the IMF would do well to follow the Greenspan example. Unfortunately, the recent fiascos in emerging markets have detracted so much from the IMF's own credibility that this might be one lesson too late.

Soroosh Shambayati,
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New York, NY10021,
US

Land of real opportunity

From Mr Christopher Lewis.

Sir, I was disappointed to read ("Economic ills deter executives", 24 August) that UK company managers are losing interest in Japan and the European Commission's executive training programme, due to Japan's continuing problems. Those problems are very real, and will doubtless lead to lower exports to Japan and to less Japanese investment in Europe in the short term.

It should also be recognised, however, that the Japanese market is undergoing significant changes in many areas, and that barriers to entry for foreign businesses are being lowered significantly. Far from reducing opportunities, Japan's problems (and, more particularly, its inability to find its own solutions to those problems) mean more opportunities, not less, in the longer term. For many sectors now is a better time than ever before to be investing in Japan.

Christopher Lewis,
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Tokyo 153-00, Japan

Clinton's vital role

From Dr Anne-Carole Chamier.

Sir, The FT has given sage coverage to the unhappy predicament of President Clinton. While it is generally agreed that to take sexual advantage of a subordinate constitutes grave moral turpitude, we all know of women who have used sexual wiles on male superiors for self-advancement. It is only in today's feminised moral culture that the man has to take all the blame.

Earlier sages have observed that "man's love is from man's life a thing apart"; and that "to err is human; to forgive divine". Others have noted that the most human of deceptions are the lies we all tell about our sexual activities.

In the context of global economic insecurity, it seems to me that President Clinton's sexual peccadilloes are a trivial issue. His vital role as head of the world's strongest economy (in which he has not been found wanting) should be the overriding consideration.

Anne-Carole Chamier,
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Scotland: autonomy not independence in Europe

From Mr David Martin.

Sir, John Lloyd draws the wrong European Union conclusion from his piece, "Losing Scotland" (September 16). The UK is not about to lose Scotland, the EU is about to welcome Britain to the European mainstream.

Because of structural and wider geopolitical changes, the centralised nation state, as it has traditionally been conceived since the Industrial Revolution, is becoming both too small and too large to deal effectively and efficiently with the emerging global economy.

The solution is a gradual movement towards European Union and a Europe of the regions. These are not contradictory movements but different sides of the same coin.

What is happening in the UK is that we are now moving in the same direction as Germany, Spain, Italy, France, Belgium etc. If we look at similar historic nations to Scotland in the European Union such as Catalonia and Bavaria we will see that their autonomous status is not leading to greater calls for independence.

That message was confirmed by Antonio Subria i Claus, a Catalonian government minister, at a Scottish Council Development and Industry conference: "Only one party went into the very first elections in a devolved Catalonia with a clear agenda for secession. They won 14 seats out of a total of 135. They have since dropped from 14 to seven seats."

The Catalonian government does not advocate "independence in Europe" but greater autonomy within Spain and increased influence in the European Union. That is the Labour government's policy for Scotland.

Similarly with the historic nation of Bavaria, which has many parallels with Scotland. Bavaria, with its centuries of political unity, is regarded as the main champion of what is known in the European Union as "three-level development": the autonomous nation or region, the member state and the EU.

That is the model I believe the Scottish people will vote for, not for the break up of the UK.

David Martin,
Lothians Constituency,
vice president of the European parliament,
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Midlothian EH22 1DS, UK

A peg doomed to failure

From Mr Godfrey Bloom.

Sir, We have now seen massive asset deflation in the Hong Kong equity and property markets, unprecedented unemployment and negative equity for householders. Does this ring any bells? Will politicians everywhere please acknowledge the basic economic truth that pegging your currency to someone else's is doomed to failure in the long run.

The Hong Kong authorities seemed set on learning the hard way. Gordon Brown, Kenneth Clark, Michael Heseltine and the Financial Times's editorship seem hell bent on having to relearn it after only six years. The Hong Kong peg will have to go eventually as surely as economic and monetary union in Europe will fail when the continent enters the next recessionary cycle.

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PERSONAL VIEW OTMAR ISSING

Open for business

Criticisms of the European Central Bank for not being accountable are misplaced

The European Central Bank (ECB) has not even started conducting monetary policy for the euro area, yet it has already come under attack for its supposed lack of accountability and transparency. This is unacceptable, say the critics, for a central bank with the kind of power and independence that the ECB enjoys.

Such criticisms are unjustified. Under the Maastricht treaty, the ECB must publish quarterly reports on the activities of the European System of Central Banks (the ECB and national central banks). It must submit an annual report on the monetary policy of both the previous and current year to the European Parliament, the Council and Commission and the European Council. The European Parliament will hold a general debate on issues raised and the ECB president and executive board members will have to answer questions put by its competent parliamentary committees.

These are among the most stringent reporting requirements for any central bank. But the ECB will go further, pursuing an active policy of keeping the public informed about its decisions and underlying motives. Through press conferences, speeches and its regular publications, the ECB will offer detailed analyses of the main developments on which its decisions were based and will report on all aspects relevant to the conduct of monetary policy in the euro area. It will also communicate with academics and researchers to allow monetary policy developments to be scientifically assessed.

These reporting commitments are based on the conviction that accountability is an essential complement to central bank independence. In a democracy, independence cannot be granted without a clear and limited mandate: for the ECB, it is to maintain price stability. This will be the benchmark against which its actions will be judged. It is in the ECB's interest to give an account of its monetary policy and to explain how it has contributed to that aim.

Given all this, why has there been so much criticism? One aspect that has attracted attention is that, contrary to the practice of some central banks, the votes of the members of the ECB's decision-making body, the Governing Council, will not be made public. Is this really a lack of accountability, as some contend?

It should be noted that the decision not to make votes public was taken not by the ECB itself but as part of the Maastricht treaty, ratified by democratically-elected EU political bodies. It was a decision of politicians, not central bankers. The treaty specifies that the bank's Governing Council may decide to make public the outcome of its deliberations, but not the voting behaviour of its members.

The real issue is whether making the votes known to the public effectively contributes to accountability.

What is essential for the effectiveness of the decision-making process is that the discussion within the ECB governing council on monetary policy is as frank as possible. This may not be the case if those involved feel they must be circumspect about the way in which their opinions are reflected in the minutes of the Governing Council and their potential impact on financial markets. Members must feel free to change their opinions in the course of the debate but once a decision is taken, they should publicly support it, even if they had voted against it. "Personalisation" of the internal debate can only be detrimental to the decision-making process and public perception. What is important is that the main arguments that have led the ECB to take a certain policy decision are explained to the public convincingly.

> 'Once a decision is taken [members] should publicly support it, even if they had voted against it'

With economic and monetary union the principle of "one country – one currency" no longer applies: it has been replaced by that of "one currency – eleven (at first) countries". From the beginning of next year, there will be a single and indivisible monetary policy. Its primary objective will be price stability in the euro area as a whole. National considerations must not play a role with the ECB, even when conditions in one country differ markedly from the "euro area average".

The governors of the national central banks do not sit on the ECB Governing Council as representatives of their countries but as representatives of the institution as a whole. The same is true of the members of the Executive Board. This is why country size has no bearing on the voting power of Governing Council members: each has one vote, be they president, Executive Board member, or central bank governor.

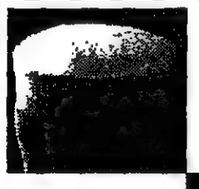
Making individual member's voting behaviour public would encourage undesirable scrutiny of members' voting patterns. This, in turn, would encourage external pressures on the Council members arising from local interests. Independence, granted by the treaty, would be at risk.

The ECB has to be judged on the basis of its overall performance. Its credibility depends on the transparency with which it explains its decisions. The ECB will be challenged by academics, market participants and the public at large to provide convincing arguments to justify its decisions. The ECB is conscious of this responsibility. It will, from the outset, give absolute priority to the fulfilment of its obligation to be fully accountable to the public.

One should not forget that independence was given to the ECB because of the conviction – based on overwhelming empirical evidence – that it is an essential precondition for price stability. Any attempt to erode the substance of the ECB's independence would clearly run contrary to this political decision, ratified by all EU parliaments.

The author is a member of the ECB's executive board.

FRANCHISING



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Tuesday September 22 1998

The choice facing Germany

Next Sunday's German election may not involve the most radical of choices. But it is of fundamental importance, for three reasons.

First, it marks the end of an era. Whichever candidate for chancellor – Gerhard Schröder for the Social Democrats (SPD) or Helmut Kohl for the Christian Democrats (CDU/CSU) – emerges victorious, this is the last election Mr Kohl will fight. The beginning of the end of his momentous 16-year rule is thus at hand. Soon enough, a leader from the post-war generation – with memories and experience wholly different from those that shaped Mr Kohl – will be in the chancellery.

Second, whoever wins faces challenges almost as momentous. Germany's capital is about to shift eastwards to Berlin, and it is about to abandon its post-war icon, the D-Mark. Both moves are a voyage into the unknown.

Third, the next chancellor will be the leader of Europe at a time when Europe badly needs leadership. In the EU presidency next year, Germany will oversee important decisions affecting the Union's admission of new members from eastern Europe and agricultural and institutional reform. And with the advent of the euro, Europe will be feeling its way towards a new international role in a world in economic turmoil. The German chancellor will need a steady hand, a clear head and fresh ideas.

Which of the two candidates has this combination? One is tempted to say neither. Mr Kohl, at least, is a known quantity, and a proven statesman. But for all his energy on the campaign trail he looks politically tired, and his party is squabbling as it contemplates the post-Kohl era.

Mr Schröder is an enigma. His policies are a neo-Blairite haze. Nobody knows what a coalition between the SPD and the Green party – among likely outcomes – would be like. No one can say whether Mr Schröder and the leftwing SPD leader, Oskar Lafontaine, would maintain the impressive unity they have displayed on the hustings.

In policy there is little to choose. The CDU has moved to the left under Mr Kohl, and its economic record has been erratic at best. The SPD has junked much of its leftwing baggage in foreign policy, and Mr Schröder – once an opponent of the euro – now talks instead about making monetary union work. The main differences concern tax reform and welfare. But the CDU's proposals would not revolutionise German economic performance; nor would the SPD bring it grinding to a halt.

So it boils down to a choice of personalities: the familiar and worn versus the new and uncertain. That is unfortunate, since the best candidate for Germany's next chancellor is neither, but Mr Kohl's anointed successor as CDU leader, Wolfgang Schäuble. He is not only the most able and articulate politician on Germany's national stage, but also the most popular.

Mr Kohl has already made a historic contribution to European integration, his country and his party. He would crown that achievement by announcing this week that, if elected, he will make way for Mr Schäuble in one year's time. It is probably the only way his party can win. It would also be the best decision for Germany and for Europe.

Mahathir's grip

For many years, economic prosperity dulled political sentiments in the south-east Asian tiger economies. But the currency crisis has changed the political scene irreversibly. Malaysia's long-serving prime minister, Mahathir Mohammed, cannot swim against the tide much longer.

As Malaysia's economic situation has worsened, Dr Mahathir has been frantically tightening his grip on power, mindful of the forces that removed President Suharto from office in Indonesia.

Critics, particularly in the media, have been silenced. A prominent opposition politician was imprisoned on dubious charges after criticising the conduct of a court case. The governor of the central bank, who resigned following the imposition of capital controls, was replaced by a Mahathir ally. All along, Dr. Mahathir has benefited from the fact that memories of race riots in the 1960s have made the Malaysians fearful of unrest.

Until recently, the strategy was succeeding. But his decision to sack and subsequently arrest his popular and ambitious deputy prime minister, Anwar Ibrahim, on unproven charges ranging from treason to sexual misdemeanours, has caused a serious backlash. Tens of thousands of Malaysians have been protesting on the streets, angry not at the economic situation, which is not nearly as serious as in neighbouring countries, but at Dr Mahathir's increasingly arbitrary style of government.

Now that these forces of opposition have been released, they will be difficult to contain. Whatever the fate of Mr Anwar, Dr Mahathir could find his grip on power slipping out of his control.

Last resort

The International Monetary Fund has had only very limited success in fighting the growing crisis in emerging markets. This raises the serious question of whether the international financial architecture, designed for another age, can cope with capital movements on an unprecedented scale.

The IMF has taken on the responsibility for the macroeconomic and financial health of emerging market economies. This is a role it can perform only imperfectly. The present crisis has exposed instabilities to which the group of seven leading industrial countries must respond.

With President Clinton distracted, Tony Blair, UK prime minister and current G7 chairman, has taken up the baton ahead of this month's annual meetings of the IMF and the World Bank. In a speech yesterday in New York, Mr Blair called for greater transparency in the global financial system, improved financial supervision and regulation, and greater accountability and openness from the Washington institutions, with more input from emerging market countries themselves.

All of this is sensible, but it is not enough. Mr Blair appeared to hint at this in saying that fundamental reform was needed, not just technical changes. Most important, he set a deadline of one year for the work to be done.

There are three broad choices. First, tinkering with the present institutions. Second, reform to make the IMF a true lender of last resort. Third, acceptance that the IMF can never be a true lender of last resort and that a new approach is needed.

Muddling through is not an attractive option. The crisis has shown that countries can be driven to devalue and default by a panic among investors. A panic, driven by herd behaviour rather than economic fundamentals, can create the very collapse that investors fear.

But the IMF cannot fulfil the role of international lender of last resort. It lacks the reserves and cannot print money. For it to do so would involve the central banks of the G7 countries committing reserves on an unprecedented scale. These funds would have to be available unconditionally and almost without limit to break runs on a currency. No G7 government wants to commit funds on such a scale. Few legislatures would permit it.

This being so, the only option is to accept there is no lender of last resort and reform the financial architecture accordingly. What is needed is an internationally accepted mechanism for dealing with rescheduling, default and bankruptcy. The IMF would give up its role as fireman, and take on a new role as policeman.

Thus, for countries which opted for free capital inflows, it would set standards for and monitor their banking systems and fiscal and monetary policies. The standards of fiscal, financial and monetary virtue required to withstand pressure can be extraordinarily high: in east Asia only Singapore and Taiwan have remained relatively unscathed. Countries with less sound banking systems and looser macroeconomic policies would be well advised to adopt temporary limits on debt-creating capital inflows. It would be better for the IMF not to pretend it can bail out countries than to do so inadequately.

Yielding worrying signals

Bond yields are sliding fast in industrialised countries. **Edward Luce** asks whether they signal a fall in inflation, a temporary fall in prices or possibly something worse

The ghost of deflation is stalking the bond markets. With yields on European and Japanese government bonds falling to their lowest levels since the 1930s (and, in some cases, to the lowest ever recorded), the bond markets are clearly signalling a bout of disinflation. They might be signalling a brief deflation, and could even be warning of something worse.

Disinflation – that is lower inflation – is considered healthy by economists. Deflation, or falling prices, is sometimes regarded as tolerable, as long as it is temporary and shallow (although many economists would warn against it even then). This may already be affecting Japan. What everyone agrees on is the undesirability of severe and sustained deflation – where prices drop by 10 per cent and remain depressed for several years. The last time this happened was during the great depression in the 1930s.

Given the fall in western bond yields since Russia defaulted on its domestic debt last month, many economists are wondering whether fully fledged deflation might now be a real possibility. "We are now approaching the cusp between disinflation, which everybody welcomes, and deflation, which can be quite a different matter," says George Magnus, chief economist at Warburg Dillon Read in London. "If you look at western bond yields the trend is very clear."

Many markets other than bonds show that disinflation is accelerating. Commodity prices have fallen to a 20-year low according to benchmark indices. They will probably drop further if Russia, steps up its oil and gas production to boost its dwindling dollar earnings (as seems likely). The rate of retail price rises in the US and Europe continues to drop and many wholesale prices in the US and Japan have actually fallen. This has not yet triggered an outright fall in average retail prices but prices on particular items, notably petrol pump prices, foodstuffs imported from Asia, and semiconductors have fallen sharply.

Taken in isolation, none of these trends amount to a plausible threat of deflation. But, given the dramatic movements in government bond markets in recent weeks, economists are starting to link them together.

Bonds are probably the best indicator of future price movements. Unlike commodity prices, they are not affected by variations in, say, the harvest. Unlike equity prices, they do not reflect the ups and downs of competition within particular industries. They are more like a "pure inflation" instrument and, since holders of government bonds want a real return, bond yields are almost always comfortably higher than where inflation is expected to be in the near future.

Even before the Asian financial crisis last year, government bond yields in western countries were already relatively low. Since the Russia crisis, they yields have fallen with alarming speed.

During the past 10 days, the yield on the 10-year Japanese government bonds has plummeted to below 0.7 per cent, the lowest bond yield ever recorded. In Germany, 10-year government debt now yields 3.96 per cent, its lowest rate since 1908. In the US, the yield on 30-year Treasury bonds has dropped to just over 5 per cent – its lowest ever (although 30-year Treasury bonds were only introduced in the early 1970s). And in the UK last week, the yield on the 10-year gilts dipped below 5 per cent for the first time since 1957.

Bond yields take a dive

At the same time, the yields on other bonds – on both emerging market sovereign bonds and western corporate bonds – have soared to near record levels as investors have off-loaded anything which smacks of risk. The average yield on emerging market dollar bonds is now about 23 per cent according to J.P. Morgan. Last October, they were around 9 per cent. Corporate bonds have fared little better. All but the highest rated companies – the likes of General Electric and International Business Machines – have in effect been shut out of the bond markets since mid-August.

One sign that these bond movements might be signalling something worse than a fall in inflation is the relationship between bond yields and interest rates. In the west, government yields have fallen to such an extent that, for the first time since the early 1960s, long-term bond yields in the UK and the US have fallen below short-term interest rates. This is the so-called "inverted yield curve" and is a classic sign of impending recession.

In ordinary conditions, a reduction in long-term rates would also sow the seeds of recovery. This is because they reduce the cost of long-term borrowing relative to prices. The average nominal yield on 10-year bonds in the industrialised countries of the Organisation for Economic Co-operation and Development has fallen to 4 per cent while the forecast for the OECD's average inflation rate in 1999 is 1.4 per cent. The real yield is thus 2.6 per cent. This is well below the trend rate of a 4 per cent real yield over the last 20 years.

Until recently, whenever the nominal bond yield fell (and, by implication, the real yield fell as well), the stock market rose in expectation of higher corporate profits.

In the past two months, however, this link has been severed. Falls in government bond yields in the US, Japan and Europe have been accompanied by falls in stock market prices. The Dow Jones Industrial Average is 20 per cent below its July peak, for example, yet the yield on the 30-year Treasury benchmark bond has declined by almost half a point. The same is broadly the case in Japan, Germany and elsewhere. Why has the link broken down?

> **'If there is another Russia the west could be peering into the abyss of deflation'**

"Investors are frightened of taking any sort of risk after what has happened in Asia and Russia," says Stephen King, managing director of economics at HSBC, a leading bank. "This fear extends to western stock markets because of the possibility that the recession in Asia and Russia will damage corporate profits in the west."

Investors, in other words, fear that the crisis affecting emerging markets will also affect growth rates in the developed world and are thus switching their capital into the relative safety of AAA-rated government bonds. Panic plays a large element in the flight to safety.

"If there is another Russia the west could be peering into the abyss of deflation," said Avinash Persaud, head of currency research at J.P. Morgan. "If, however, the US and the International Monetary Fund could finally put a stop to the crisis then government bond yields would start to rise again. But it is a big 'if'."

Andrew Bevan, international economist at Goldman Sachs, predicts that the yield on the 30-year US Treasury bond would fall below 4 per cent (from its current level of about 5.1 per cent) if another emerging market government defaulted on its debt. Mr Magnus at Warburg Dillon Read says the Treasury yield could go as low as 3.20 per cent if Brazil or another large Latin American economy were forced to devalue its currency. One or two economists, including Roger Bootle, a City economist and author of the book, *The Death of Inflation*, believe that deflation is already a probability even without another Russian-style default.

Mr Bootle says that with the exception of Alan Greenspan, the chairman of the US Federal Reserve, western central banks appear more concerned about the threat of inflation than deflation. Last week Hans Tietmeyer, president of the Bundesbank, poured cold water on suggestions that Germany would participate in a co-ordinated reduction of western interest rates to stimulate demand and restore morale in the markets.

"Core inflation has fallen to below 1 per cent in continental Europe and yet Europe is well into its second year of economic growth," said Mr Bootle. "But judging by their recent comments the Bundesbank and the Bank of England are still focused on the threat of inflation. They are still fighting the last battle."

The last time prices fell in the OECD was in Germany and Sweden in 1986 owing largely to the effect that the steep decline in world oil prices had on their consumer price indices. Both economies quickly returned to low rates of positive inflation. The last serious bout of deflation was during the 1930s. Barely anyone expects a repeat of that.

What is more plausible, say economists, is a temporary dip into deflation. Barring a Wall Street crash, a fall in prices of perhaps 1 per cent for a year would be unlikely to be dramatic. But, they say, to prevent it from becoming a serious threat, governments must tackle market contagion head-on. This could involve co-ordinated interest rate reductions in the US and Europe, or larger-scale assistance from the International Monetary Fund.

"The panic cannot go on forever," said Mr Magnus. "At some stage investors will say they have had enough of the low returns on government bonds and reacquire their appetite for risk. But first we have to have a change in market psychology."

At the best of times government bond markets watch central bankers' every move. But, over the next few weeks, trading floors will be more than usually focused on the US Federal Reserve. The next meeting of its monetary committee is on September 29, the same day that the IMF and the World Bank begin their joint annual meeting. The next 10 days is thus likely to provide a strong clue as to whether the panic can be quelled.

"What the markets want is leadership," said Mr Persaud. "If we get that then sentiment could stabilise very quickly."

OBSERVER

Rodeo rider gets back in the saddle

Lockheed Martin's plan to buy Comsat may get a bumpy ride in Washington, but any turbulence shouldn't worry Vance Coffman, who took over from Norman Augustine as boss of the defence giant last year.

Augustine first saw his successor on the back of a bucking bronco in a rodeo at Conquistadores del Cielo, the aerospace industry's annual orgy of fun, games and self-congratulation in Wyoming. His daredevil technique didn't stop him taking a tumble over Lockheed's blocked plan to merge with Northrop Grumman, but the farm boy from Winthrop, Iowa, knows you have to get right back on the horse and try again.

Coffman bought his first horse when he was nine for $125, earned from ploughing a neighbour's field in between milking the family cows. The Midwest work ethic helped him canter through Lockheed, winning a reputation for delivering projects on time: something of a rarity in US defence contracting.

All those years hammering out the finer points of top-secret hardware gives him something in common with Comsat boss Betty Alewine. Like Coffman, she's been around sensitive projects long enough to give little away, and is famed for her parsimonious distribution of personal details.

Alewine has turned Comsat round from an unfocused ragbag in her two years in the chair, selling off the Denver Nuggets basketball team, the Colorado Avalanche hockey team, a film studio and lots of other assets just as relevant to a satellite company.

Quite an achievement. But, as with Coffman, not a mention in American Who's Who.

Act of faith

Hungarian businessman-politician Peter Zwack seems to be jumping on to a sinking ship. An independent MP in the last parliament, he is joining the Free Democrat party (SZDSZ), which was founded by anti-communist activists of the 1970s and 1980s.

The SZDSZ's heyday came in the early 1990s, when it was the main opposition party after the first democratic elections, but it has withered away since then and its poll support is running at about 3 per cent.

Zwack fled the postwar communist regime, but returned from the US in 1987 to repurchase his family's former distillery company at time when capitalism was still a word not to be mentioned in Hungary.

The first democratic government made him ambassador to Washington in 1990, but he lasted barely a year. Not surprising really – he called on his boss Geza Jeszenszky to resign as foreign minister.

Zwack believes his record in business will give the SZDSZ a bit of corporate cred. He also wants to smooth out some of the petty bickering that bedevils Hungarian politics.

But he's unlikely to play much of a role in furthering US-Hungarian relations. Budapest's new man in Washington is a certain Geza Jeszenszky.

Dam nuisance

Gerhard Schröder may have charmed the socks off Germany voters, but the Social Democrat candidate trying to unseat Helmut Kohl as chancellor this weekend isn't making a good impression in the Netherlands.

Jan Pronk, the Dutch environment minister and fellow social democrat stalwart, is unhappy with the telegenic Schröder for laying the foundations for a dam that The Hague has not yet approved.

A peeved Pronk has written to Schröder in his role as premier of Lower Saxony, pointing out that the tortuous Dutch consultation process on the dam – on the river Ems, which forms part of the border between the countries – still has a month to run.

While it may not open the floodgates to anything more serious, environmental groups are worried about the dam's possible impact on regional ecology. Schröder will have to tread a little more carefully with the German Greens than he has with his fraternal Dutch ally.

Loss leaders

Life is getting tough in Greece's dealing rooms. Last year the treasury bosses of local banks held on to their jobs even after taking hits amounting to billions of drachmas when the Asian crisis struck. Now, after a run of comparatively small losses, heads are rolling.

Alpha Credit Bank, the biggest private bank, has seen off its treasurer, Panayiotis Panayiotopoulos, along with his deputy and has called in Peter Swinden, a big hitter at Alpha Credit's London operation, to clean things up.

Over at National Bank of Greece, the biggest state outfit, treasury operations have also had a shake-out. The new man is Petros Christodoulou, an emerging markets whizz from J.P. Morgan, who gets the new post of group treasurer. Mihalis Antoniades, the dealing room boss for more years than anyone can remember, has been given the grand-sounding title of international operations chief.

Market watchers are keen to see whether the new talent can challenge Harris Makkas, treasurer at Bank of America's Athens operation and currently the Greek market's top gun.

The Financial Times

100 years ago

Germany's Foreign Trade
Germany may be ahead of Great Britain in some respects, such as the manufacture of sausages and Imperial speeches, but she is certainly not level with us in the matter of commercial statistics.

The detailed report of the foreign trade of the Fatherland for last year is only just to hand, but, late as it is, it is very welcome, as Germany is now recognised as our most dangerous commercial rival in many markets abroad.

The Government statistics now published are, in some respects, reassuring, as they show that German trade has not made much progress in the past year.

50 years ago

Strike Call in France
Paris, Sept 21. The Queuille Cabinet held a special meeting on wages and prices this morning while the three big federations of trade unions swung into line with a call for a two-hour general strike on Friday to protest against the Government financial plans. Rumours of the Cabinet resigning were rife, but one Minister said there was "no disagreement on any subject".

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THE LEX COLUMN

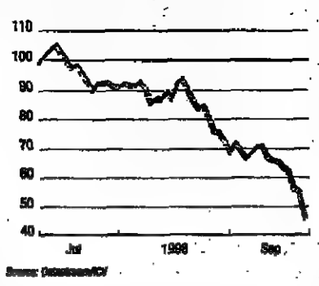
Shifty fifty

What about a new club – the shifty fifty – for delinquent blue chips in the FTSE Eurotop 300 that have lost 50 per cent of their value in the last 50 trading days? With five members already and another 16 companies that are down more than 40 per cent knocking on the door, maintaining the club's air of exclusivity may be difficult. However, for bewildered momentum investors struggling to find strongly rising stocks to push higher, the shifties could provide another set of tails to chase, albeit now in the opposite direction.

Philips' and Alcatel's recent leap into the club serves notice on believers in continental recovery stories that, without the fair economic winds of 1997, stellar earnings growth will be hard to achieve. Both were companies where market expectations had flown ahead of reality. It is noteworthy that neither has actually warned of a loss for 1998 and maybe not even a fall in profits. In Philips' case, it is just that earnings will be flat compared with 1997 while in Alcatel's they will rise less than market expectations.

The other three current shifties are Banco Bilbao Vizcaya (banking), Imperial Chemical Industries (chemicals) and Gambro (medical technology). Most of the 16 candidate members are also either banks or cyclical manufacturers. The banks have been hit by the financial fallout in emerging markets while the cyclicals are exposed to the real economic fallout. Nifty fifty, eat your hat.

Philips Electronics
Share price rebased (Jul 13 1998=100, 50 trading days)



Source: Datastream/ICV

Hedge funds/IMF

Footloose, leveraged capital can be an exacting taskmaster. It is no wonder there is a vociferous community clamouring to clip the wings of hedge funds, the high priests of speculation. Now Tony Blair has added his voice to those suggesting their activities deserve greater scrutiny. But is this not simply a case of beating the messenger?

Yes and no. True, speculators succeed only when there are underlying policy weaknesses to exploit. But there is also reasonable concern, most recently in Hong Kong, that hedge fund activities damage the integrity of markets. This deserves further attention from the International Monetary Fund and/or Group of Seven leading industrial nations. A large position disclosure requirement across all markets, for example, would bolster transparency. This would also apply to investment banks whose proprietary trading desks act like hedge funds. Indeed, if the IMF/G7 want to curb volatility, they could make proprietary trading more expensive – by forcing banks to hold more capital against such activities.

A quiet life behind a wall of capital controls is, of course, an option. But the price – access to international capital markets only on penal terms – is a heavy one. Penalising only short-term flows through reserve requirements would be a possible halfway house. But what governments really should be watching is not speculative flows but short-term lending. Excess leverage is a bigger problem than hedge funds.

Lockheed/Comsat

Coming to a kiosk near you: the Lockheed Martin phone. Well, not quite. But the military contractor's $2.7bn offer for satellite operator Comsat is its attempt to get serious in telecommunications. The bit Lockheed is keen on – running global voice and data networks for corporates – is a $50bn market, growing at a rapid 25 per cent a year. And with further defence consolidation apparently ruled out after the blocked Northrop takeover, Lockheed is perhaps right to be diversifying into growth markets. But is this the right one?

Every telecoms company in the world is trying to win high-end corporate networking business. Comsat is already losing market share, both to rival satellite networks like PanAmSat and Globalstar, and the likes of AT&T and WorldCom with their fibre optic cables. Second, Lockheed, which builds satellites, will perforce start competing with its customers. For a company with Comsat's spotty record, nearly five times revenues looks a steep price.

At least Lockheed is laying off some financial risk. It will finance the deal by selling some passive equity stakes – though its timing is hardly exquisite; and it plans to float off the enlarged Comsat again a few years from now, hoping no doubt for a juicy rating. But once again, Lockheed is at the mercy of the regulators. Until the law changes next year, it is not even allowed to own more than 49 per cent of Comsat.

EMI

Less than six months ago, EMI was holding out for 700p a share to recommend a bid from Canada's Seagram. With the stock down at 335p after yesterday's profit warning, shareholders must be wishing Sir Colin Southgate, EMI's chairman, had not attempted to strike such a hard bargain.

Of course, Sir Colin was not to know that the stock market bubble would be punctured, or how badly demand for recorded music would slump. But even then the Asian storm clouds were gathering. And not all EMI's woes can be blamed on emerging markets. A poor release schedule is also the culprit. The real disappointment is that sales in continental Europe, whose economy is picking up, are also suffering. Matters are made even worse by the fact that margins have shrunk from 14½ per cent to 12½ per cent because EMI has had fewer high-margin hits while selling more low-margin compilation albums.

The big question is whether this disappointing performance just illustrates the hit-driven nature of the music business – in which case, it may bounce back – or reflects the management turmoil that swept through the group earlier this year. It is hard to pinpoint any connection, but there is a sneaky suspicion that top management took its eye off ball. Certainly, Sir Colin needs to restore credibility with investors: yesterday's hammering of the shares shows they are not giving him the benefit of the doubt.

Tobacco companies to challenge advertising ban

UK association will plead that Brussels is misusing its powers

By David Blackwell and John Wilman

UK tobacco companies are to mount a legal challenge to the European Union ban on tobacco advertising.

The Tobacco Manufacturers' Association will today announce plans to appeal to the European Court against the measure phasing out almost all tobacco advertising and sponsorship between 2001 and 2006. The ban was approved last December by 11 of the 15 EU countries, the narrowest margin possible under qualified majority rules.

Germany, which opposed the ban, has already said it intends to challenge it, arguing Brussels is overstepping its legal powers. However, action on lodging an appeal has been deferred until after next weekend's German general election.

Under the new law, cinema and billboard advertising will be banned after three years. Newspaper advertisements will end a year later and most sponsorship, including sports and arts events, a year after that. Sponsorship of world events nominated by member states can continue for another three years.

The three full members of the Tobacco Manufacturers' Association are Gallaher, Imperial Tobacco and Rothmans. It has four associate members: British American Tobacco, Philip Morris, R.J. Reynolds and Japan Tobacco Company, which owns Manchester Tobacco.

The association believes the ban violates several principles of European law, and is a health measure pretending to be a harmonisation measure under the single market provisions. The companies will argue that the advertising ban has nothing to do with harmonisation since tobacco marketing does not cross borders in the EU.

The association will also argue that the UK's voluntary agreement on marketing and advertising has provided a successful framework for curbing smoking among younger people. It feels this should continue and that the Brussels ban is a misuse of its powers. The German government will take a similar approach in its appeal. In June the economics ministry said a tobacco advertising ban was a health protection measure and should remain the responsibility of individual member states.

It added that controls on advertising would violate the principle of freedom of expression as well as endangering as many as 23,000 jobs in the tobacco and advertising industry. The effect on branded products would amount to an infringement of property rights.

Bonn officials also argued it was unclear whether an advertising ban was an appropriate measure for reducing tobacco consumption, and it was inconsistent to take such steps when the EU continued to subsidise tobacco farming in Greece and elsewhere.

The decision by the UK manufacturers to launch an appeal is likely to rekindle controversy over a measure that opinion polls show commands widespread support.

Cancer Society advertising, Page 6

Russia revises debt market plans to win back foreign confidence

By John Thornhill and Arkady Ostrovsky in Moscow

Mikhail Zadornov, Russia's acting finance minister, yesterday agreed to revise plans to restructure the frozen domestic debt market in a bid to regain the confidence of foreign investors.

The plans will be discussed at a meeting in Moscow tomorrow between officals and foreign investors where both sides will exchange ideas on how best to overhaul the $40bn government debt market.

The government's previous proposals incensed foreign investors, who claimed domestic banks were receiving preferential treatment as they could swap their debt into more valuable government paper.

One senior western banker predicted the government's willingness to talk would – at least temporarily – forestall moves to seize Russian assets overseas. "At the moment, the banks are keen to establish a dialogue with the government," he said. "They hope they might get more money longer-term."

However, fears grew that the Russian government would increasingly resort to a large-scale printing of money after a bill was presented to the Duma, the lower house of parliament, threatening to reduce the central bank's independence.

The law would override legislation barring the central bank from printing money to cover the government's budget deficit. The central bank revealed it had already printed Rbs1bn ($139m), to help free up the paralysed banking sector, and issued additional short term credits.

Yaroslav Lissovolik, an independent economist, said Russia faced a hard choice between printing money to pay off government debt and inflicting harsh terms on investors. But, he said, a monetary emission would be worst when confidence in the rouble had collapsed.

"This is a straight road to inflation and a reversal of all the achievements which have been made with such effort in the past few years. Russia needs hard decisions today not a populist one," he said.

Mr Zadornov, a liberal economist, said it was "impossible" to avoid some monetary emission in the current circumstances but voiced his strong opposition to a further loosening of monetary policy.

"I do not regard emission as a means of solving our problems. Therefore I still hold that it is our task to have a balanced budget in 1999," he said.

His comments highlight the tensions over the future course of economic policy. Victor Gerashchenko, the newly reappointed head of the central bank, has been pressing strongly for a "controlled emission".

But Yevgeny Primakov, prime minister, has not yet confirmed Mr Zadornov will remain in his job.

EU food aid plans, Page 4

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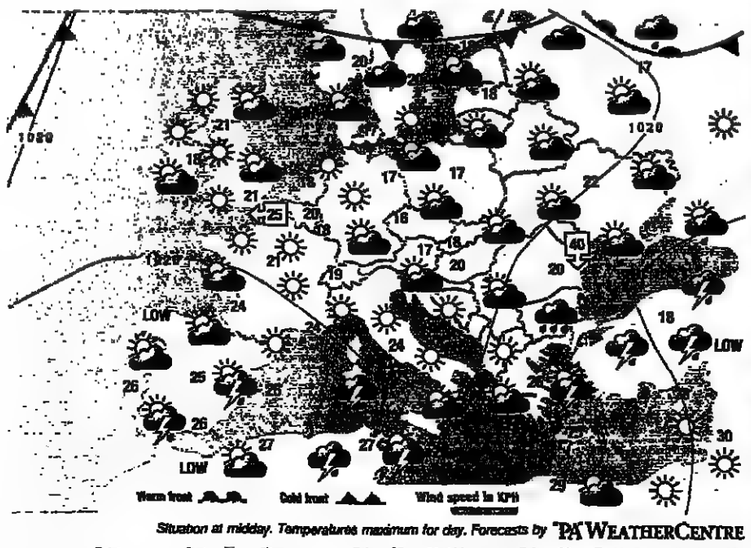
FT WEATHER GUIDE

Europe today

High pressure over the North Sea and much of Europe will bring fine conditions, with fog giving way to sunshine in most areas in the afternoon. Southern Scandinavia will be fine with sunny spells, but north-western Norway will be windy with rain. Finland will be cloudy, especially in the east where light rain is possible. The Aegean, Turkey and southern Spain will have thunderstorms, but the rest of the Mediterranean will remain warm and sunny.

Five-day forecast

High pressure will drift eastwards across Scandinavia and central Europe, bringing fine, settled and dry conditions to many areas for much of the week. Finland will remain cool and showery. The Mediterranean will continue thundery, and the far west of Europe will become increasingly unsettled towards the weekend.



Situation at midday. Temperatures maximum for day. Forecasts by PA WEATHERCENTRE

TODAY'S TEMPERATURES

		Maximum Celsius																	
			Barcelona	Thunder	32	Cairo	Sun	31	Faro	Fair	25	Madrid	Fair	26	Reykjavik	Cloudy	12
			Beijing	Sun	23	Caracas	Fair	32	Frankfurt	Fair	18	Majorca	Thunder	26	Rio	Fair	25
			Belfast	Fair	19	Cardiff	Sun	20	Geneva	Fair	19	Malta	Thunder	26	Rome	Fair	24
Abu Dhabi	Sun	36	Belgrade	Cloudy	21	Casablanca	Fair	25	Gibraltar	Shower	24	Manchester	Sun	21	S. Frisco	Sun	22
Accra	Cloudy	29	Berlin	Fair	17	Chicago	Sun	18	Glasgow	Rain	20	Manila	Shower	31	Seoul	Fair	30
Algiers	Thunder	25	Bermuda	Cloudy	30	Cologne	Fair	19	Hamburg	Fair	19	Melbourne	Rain	26	Singapore	Shower	31
Amsterdam	Sun	18	Bogota	Thunder	19	Dakar	Cloudy	31	Helsinki	Fair	18	Mexico City	Fair	25	Stockholm	Fair	20
Athens	Thunder	28	Bombay	Shower	32	Dallas	Sun	33	Hong Kong	Sun	33	Miami	Fair	32	Strasbourg	Fair	18
Atlanta	Thunder	30	Brussels	Fair	20	Delhi	Cloudy	28	Honolulu	Fair	31	Milan	Fair	22	Sydney	Fair	24
B. Aires	Fair	19	Budapest	Fair	20	Dubai	Sun	38	Istanbul	Shower	22	Montreal	Fair	15	Tangier	Shower	25
Bahrain	Fair	20	Bucharest	Fair	17	Dublin	Sun	18	Jakarta	Cloudy	34	Moscow	Fair	17	Tel Aviv	Sun	30
Bangkok	Thunder	32	C.Hagen	Fair	17	Dubrovnik	Fair	22	Jersey	Fair	19	Munich	Fair	18	Tokyo	Rain	27
						Edinburgh	Fair	18	Johannesburg	Sun	27	Nairobi	Fair	26	Toronto	Fair	16
									Karachi	Cloudy	35	Naples	Fair	26	Vancouver	Sun	19
									Kuwait	Sun	44	Nassau	Shower	33	Venice	Sun	22
									L. Angeles	Fair	25	New York	Shower	24	Vienna	Fair	17
									Las Palmas	Fair	26	Nice	Fair	24	Warsaw	Fair	17
									Lima	Cloudy	21	Nicosia	Sun	28	Washington	Shower	26
									Lisbon	Shower	26	Oslo	Fair	20	Wellington	Fair	13
									London	Fair	21	Paris	Sun	21	Winnipeg	Sun	18
									Luxbourg	Fair	18	Perth	Sun	18	Zurich	Fair	16
									Lyon	Fair	20	Prague	Fair	18			
									Madeira	Fair	27	Rangoon	Rain	31			

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FINANCIAL TIMES

COMPANIES & MARKETS

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INSIDE

Harnischfeger abandons sale of papermaking machinery arm

Harnischfeger Industries, the US maker of mining and papermaking equipment, abandoned plans to sell its Beloit papermaking machinery arm after it failed to receive a satisfactory offer. It blamed global financial turmoil for buyers' reluctance to offer a 'fair' price. Page 20

Pakistan investors eye UN meeting

The meeting at the UN this week between Nawaz Sharif, Pakistan's prime minister (left), and Bill Clinton, the US president, will be watched with unusual interest by investors in Karachi's equity market. For Pakistan's battered economy, any thaw in US relations could be the most important event since India's nuclear tests in May, which prompted Pakistan to conduct tests. Emerging Market Focus, Page 36

Greece to issue 'privatisation' bonds

The Greek government is to raise at least E1bn through a bond issue that can be exchanged for shares in companies targeted for privatisation in its efforts to make tangible its commitment to qualifying for European monetary and economic union by 2001. Page 26; Observer, Page 17

Investors flee Japanese steel sector

A grouping in the Japanese steel industry, reeling after poor results this month, has said steelmakers may cut exports to the US, the only market keeping the industry afloat recently. Not surprisingly, investors are fleeing the sector, sending share prices to new lows. Page 22

Chairman of Alcatel loses credibility

Until last week, Serge Tchuruk (left), chairman of France's Alcatel, one of Europe's biggest telecoms groups, seemed secure in his status among the elite of French managers. But on Thursday, following an unexpected profits warning, Mr Tchuruk's halo slipped. The credibility he had painstakingly built over more than three years with Alcatel took a severe buffeting in one stormy session of the Paris bourse. Page 21

FT to print interest rate swaps data

The FT today starts publishing daily data on interest rate swaps, an over-the-counter market that has become important as an indicator of investor sentiment towards fixed income securities. Many bankers say pricing is more efficient in the swaps market than in the government bond market. Details, Page 26; Table, Page 25

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CHANNEL TUNNEL OPERATOR REPORTS SHARP INCREASE IN OPERATING PROFITS AS SHUTTLES CARRY 82% MORE CARS

Rise in traffic boosts Eurotunnel

By Charles Batchelor in London

Buoyant traffic levels and tight controls on costs enabled Eurotunnel, operator of the Channel tunnel, to achieve a sharp increase in operating profits in the first half of 1998.

Adding in interest savings achieved by the financial restructuring agreed last year allowed it to achieve its first pre-tax profit, but this effect will not be repeated in future years, the company said.

Operating profit rose to £46m from £6m in the same 1997 half, on turnover which increased 23 per cent to £279m. The underlying net loss, after interest charges, was cut to £130m from £323m as a result of the financial restructuring.

Backdating the financial restructuring to October 1996 released £273m worth of interest already paid and allowed Eurotunnel to report a net profit in the first half of £143m.

Patrick Ponsolle, executive chairman, said the company's recovery was going at a faster pace than envisaged in last year's refinancing prospectus. Interest cover of 59 per cent was higher than the 56 per cent expected for the year end.

"These results and the increase in traffic in July and August give us confidence that our operating profit for the whole of 1998 should be at least in line with our target and is likely to be higher for the second consecutive year," he said.

Analysts said that while Eurotunnel had performed slightly better than expected it was still several years away from making regular pre-tax profits or paying a dividend. "It's a bit early to get the flags out," said Richard Hannah of BT Alex Brown. "The refinancing prospectus sketches a requirement for 10 years of strong growth."

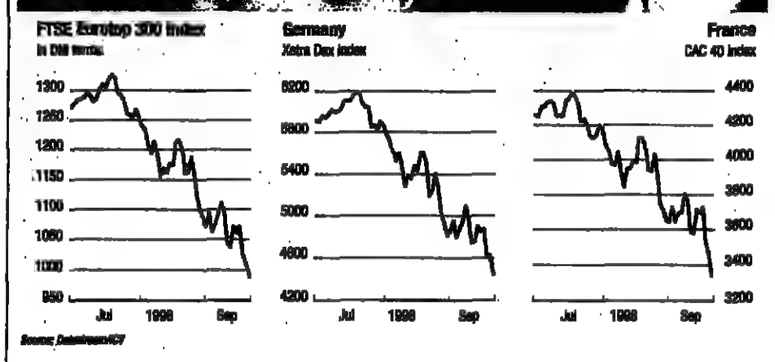
Eurotunnel's passenger shuttles carried 1.51m cars in the first half of 1998, an increase of 82 per cent while the freight shuttles carried 341,000 trucks, a sharp rise on last year when services were restricted by the tunnel fire. In July-August cars rose 31 per cent to 671,000 compared with last year while trucks rose 67 per cent to 112,700.

The number of passengers carried on the high speed Eurostar service rose 13 per cent to 3.06m in the first half while the amount of rail freight carried rose 16 per cent to 1.64m tonnes.

Eurotunnel is working on plans to expand duty-paid retailing at its French and British terminals to make up for the abolition of duty-free sales next June. Retailing contributed £79m to turnover in the first half.

Following last year's restructuring of Eurotunnel's £8.5bn of junior debt it has reached agreement with its agent banks on £400m of senior debt. They will recommend a reorganisation which will save £5m in a full year to the banking consortium.

Complacency shattered



Source: Datastream/ICV

Fortress Europe begins to succumb to global onslaught

Corporate profit expectations come under pressure as forecasts of economic growth are revised down, reports **Philip Coggan**

Crisis? What crisis? For a while, Europeans were sounding pretty smug about the problems in emerging markets, arguing that the Continent was set for a period of economic growth, low interest rates and improved corporate profits on the back of restructuring.

But the last few weeks have put a a dent in the complacent European facade. Corporate profit expectations are clearly coming under pressure, as investors begin to realise that Europe cannot be immune to events sweeping the rest of the world.

Warnings from Alcatel, the French telecoms group, Royal Dutch/Shell, the Anglo-Dutch oil giant, and yesterday from Philips, the Dutch electronics company have hammered home the dangers.

Forecasts of corporate earnings compiled by analysts looking at individual companies – compiled on a "bottom up" basis – have been slow to adjust. IBES, the information company, shows that profits in both Germany and France over the next 12 months are expected to grow 18 per cent.

But the "top down" strategists who base forecasts on economic fundamentals have rapidly been revising down earnings estimates. BT Alex Brown is looking for 5-8 per cent earnings growth in 1999; J. P. Morgan for 5 per cent; Salomon Smith Barney for 8 per cent; and Credit Suisse First Boston for 10.5 per cent.

A key reason for a reduction in those earnings forecasts has been a lowering of expectations for European economic growth. "In Germany and France we now expect gross domestic product to rise by 1.5-2 per cent next year, against general expectations of 2.75-3 per cent," says Ian Harnett, director of European strategy at BT Alex Brown.

That lower economic growth, of course, owes a lot to the downturn in emerging markets. Although Asia only makes up 8-9 per cent of European exports, the effect of its economic slowdown is also having an impact in third markets – where European companies are facing competition from companies operating with devalued currencies.

According to Mr Harnett, European corporate earnings have a highly geared relationship with growth. "As economic growth heads towards 2 per cent, earnings growth falls to 0-5 per cent, but if economic growth is zero, earnings will fall by 20 per cent."

One problem may be that economic prospects for Europe looked so rosy a few months ago. Managers may have become over confident. "A lot of corporates are going to be caught out because they have built up capacity in anticipation of strong demand," says Gary Dugan, European strategist at J. P. Morgan. "What worries me about corporate profits is people's expectations of margins."

Another factor has turned against European corporates. The weakness of European currencies had given European businesses a steady helping hand almost from the start of the equity bull run in 1995. But from late August this year, the dollar seems to have turned tail, dropping 12 pfennigs in just three weeks. That makes exporting even harder for European companies.

The immediate impact of this shift has borne down on European companies operating in internationally traded sectors, such as electronics and industrials. Since the world stock markets peaked in mid-July, the cyclical sectors of chemicals, steels and engineering have been worst hit.

But judging by the gap between the "top down" and "bottom up" forecasts, there is a lot more disappointment to come. Low interest rates and bond yields will continue to be supportive for the European corporate sector. But with the international economic and currency winds unfavourable, the next few months will put the European discovery of "shareholder value" to the test. Restructuring may be the only way for some companies to keep profits moving ahead.

World stocks, Page 36

Lockheed's $2.7bn purchase of Comsat set to face regulators

By Richard Waters in New York

Lockheed Martin has set itself on course to lock horns with US regulators again by announcing an agreement to buy Comsat, a satellite telecommunications company, for $2.7bn.

The US defence and aerospace group ran foul of antitrust authorities last year when its intended acquisition of rival Northrop-Grumman was ruled unacceptable.

Lockheed yesterday put itself in line for another round of scrutiny with its plan to buy what was once America's monopoly supplier of international satellite telecommunications.

The deal will only be possible if Congress relaxes a legislative restriction limiting any single shareholding in Comsat to 49 per cent.

Lockheed's other interests in the satellite communications business – including a stake in Iridium, a start-up global wireless carrier – could complicate the merger, though the company said it would sell some of its equity holdings to help finance the Comsat purchase.

After the announcement, Comsat's shares traded at a 25 per cent discount to the value implied by Lockheed's bid, an indication of the stock market's doubts that the deal would be completed quickly.

The move is the first significant step since Lockheed revealed its ambition to break into the telecoms business. It said yesterday that a division formed to manage its telecoms interests, known as Lockheed Martin Global Telecommunications, was likely to have its own stock market listing.

Through Comsat, Lockheed would acquire an 18 per cent stake in Intelsat, an international consortium that owns a global satellite system, and a minority stake in Inmarsat, a mobile system. Both are set for privatisation and have lost their dominant positions in space communications.

Observer, Page 17
Lex, Page 18

EMI shares fall sharply after profits warning

By Alice Rawsthorn in London

EMI, one of the world's largest music companies, saw its shares fall 61p to 335p yesterday after warning interim operating profits would be 20 per cent lower than in the first half of last year.

It follows a grim period in which EMI, a longstanding takeover target, has been hit by boardroom rows, abortive bid talks with Seagram of Canada, and last week's late withdrawal from the bidding for PolyGram's film business.

Sir Colin Southgate, chairman, blamed the decline on EMI's release schedule, which he described as weaker than last year's, and on what he called "terrible trading".

But he reiterated that EMI was looking for other acquisitions in areas with higher growth potential than the sluggish music market. "We'll look at every opportunity that comes up," he added.

Sir Colin, who took over the chairmanship of the Royal Opera House in January, intends to step up his search for a successor at EMI "over the next few months".

Analysts have speculated that EMI may appoint a group chief executive to work alongside Sir Colin before taking over the chairmanship. "I plan to stay around for the next few years," said Sir Colin.

EMI is poised for a second successive year of declining profits. It suffered a fall in profits before tax and exceptional items to £307m ($491m) in the year to March 31, from £380.5m the previous year.

Panmure Gordon, the broker, now predicts pre-tax profits of £242.5m for this year before an exceptional item of £25m to cover restructuring costs.

Sir Colin said EMI's performance had matched last year's during the first quarter, but then deteriorated. The group fared particularly poorly in south-east Asia, where the Hong Kong music market fell by 50 per cent, and in Brazil, down 25 per cent.

In Europe, EMI is doing well in Italy and Spain, according to Sir Colin, but the music markets in Germany, the UK and France are static. The group has, however, performed well in North America and in music publishing.

But although many of its recording artists sell well in their own markets, EMI has yet to find a huge global hit to bolster this year's profits, as albums from the Spice Girls and The Verve did last year.

Last year, EMI was badly affected by the strong pound, and Sir Colin expects it to shave up to £15m from operating profits in the second half.

Although EMI's cost cutting is largely completed, it hopes to prune London property costs by combining group headquarters with an operating subsidiary, possibly EMI Music's International division.

Lex, Page 18

Second top Kellogg executive resigns

By Richard Tomkins in New York

Kellogg, the US cornflake company struggling to put its business to rights, yesterday announced the departure of its North American chief – six days after shedding the head of its European operations.

Arnold Langbo, chairman and chief executive, said Thomas Knowlton was resigning as president of Kellogg North America after serving the company "with distinction" for 18 years. No successor was named.

In a similarly brief statement last week, Mr Langbo announced the resignation of Donald Fritz, president of Kellogg Europe, after 19 years of "dedicated service".

Like Mr Langbo, Mr Knowlton and Mr Fritz are Canadians. Until recently, the trio had held the top three executive positions at the company.

Analysts said Mr Knowlton and Mr Fritz appeared to have fallen victim to changes demanded by Carlos Gutierrez, who became president and chief operating officer – and Mr Langbo's heir apparent – in June.

"Clearly, Mr Gutierrez was appointed to be an agent of change within the company," said John McMillin, an analyst at Prudential Securities.

David Nelson, an analyst at Credit Suisse First Boston, said: "They are shuffling the seats a bit to see if some new people can breathe some life into these operations."

Other evidence of Mr Gutierrez's determination to make changes came two weeks ago when Kellogg announced an evaluation of all work done by its 2,000 white-collar employees in North America, apparently setting the stage for big job cuts.

Although Kellogg has one of the world's best known brand names, it has been struggling to counter a declining market share and weak profits growth. In the US, it has had to contend with the growing popularity of bagels and other breakfast alternatives, a price war with other cereal makers and tough competition from stores' own brands.

Own-label competition has also eaten into its market share in the UK, its biggest market outside North America, and in other countries.

Yesterday Kellogg's share price was down $1⅛ at $33⅝ in early afternoon trading.

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GREENWICH NATWEST

PAPERMAKING GROUP SAYS POTENTIAL BUYERS FAILED TO OFFER ADEQUATE PRICE FOR MACHINERY UNIT

Harnischfeger takes Beloit off market

By Richard Tomkins in New York

Harnischfeger Industries, the US maker of mining and papermaking equipment, yesterday called off plans to sell its Beloit papermaking machinery unit after failing to receive a satisfactory offer.

It said it had held discussions with several potential buyers, but blamed global financial turmoil for the purchasers' reluctance to offer what Harnischfeger regarded as an adequate price. "Pulp and paper markets throughout the world are softer than anyone anticipated," said Jeffery Grade, chairman and chief executive.

"Economic uncertainties in Asia, Russia, Latin America and other parts of the world are not only affecting the pulp and paper industry, but also potential buyers of Beloit as well, be they strategic or financial buyers."

Harnischfeger put Beloit on the market in June as part of a plan to split its mining and papermaking machinery divisions into separate businesses.

At the time, Harnischfeger said other options included a spin-off of one or the other, but yesterday it said it had discontinued exploring methods of separating them.

The company's decision comes at a time when record levels of merger and acquisition activity and initial public offerings have been severely damped by uncertainty in financial markets.

Harnischfeger said it had emphasised in June that it would not undertake a transaction that did not enhance shareholder value. It said Beloit had the right management team in place and would aggressively pursue a growth strategy.

Last month Harnischfeger announced it was cutting 2,350 jobs after falling into the red in the quarter to July. The company is heavily exposed to the Pacific Rim market and has been one of the biggest US corporate casualties of Asia's economic woes.

Harnischfeger also announced yesterday that it was extending and strengthening its "poison pill" shareholder rights plan, lowering the trigger point from ownership of 20 per cent of its stock to 15 per cent.

It said the move brought its plan into line with those of other groups, and was unconnected with the recent build-up of a 6 per cent stake in the company by the Texas-based Bass family.

Guidant to buy Sulzer business

By William Hall in Zurich

Guidant, a fast-growing US medical technology company, has agreed to pay up to $850m for Sulzer Medica's heart pacemaker business.

Sulzer Medica's electrophysiology arm, which accounts for around a third of its sales and a quarter of its profits, was put up for sale in June.

Sulzer Medica was a weak number four in the heart pacemaker business which is dominated by Medtronic of the US.

It decided to withdraw because it would have had to divert resources from its other core businesses where it has a stronger market position.

Guidant will pay between $775m and $850m, or more than two times last year's sales for a business which comprises mainly of Sulzer Intermedics and Sulzer Osypka and employs 2,000 people. Guidant was spun off from Eli Lilly in 1994 and the deal will make it number two in the heart pacemaker business.

News of the deal prompted Moody's Investor Service to lower its rating outlook on Guidant to "negative", though S&P affirmed its A- corporate credit rating.

Sulzer Medica will use the money to expand its orthopaedics and cardiovascular protheses businesses.

Asian import wave tests the mettle of US steel groups

Prices are already falling sharply, reports **Richard Waters**

After a four-year gap, the red ink could soon be flowing again in the US steel industry.

This is not what Big Steel – or its investors – were expecting. As recently as May, Wall Street felt confident enough to push the share prices of some producers almost back to the record levels touched in 1994.

Massive capital spending to improve the processes in the country's big steel mills during the 1990s had put them back on a more even footing with the more efficient producers in Korea or Japan. Also, the steady domestic economic expansion had left US mills humming at nearly 95 per cent capacity in the opening months of the year.

Even after the dollar's three-year climb, it seemed American steel companies could once again hold their own.

Those hopes have been dashed in recent weeks. A wave of low-priced imports from Asia has hit US ports, and the mood among American steel executives has darkened.

"The Japanese, the Koreans and the Russians are dumping [steel] in record tonnages," says John Correnti, chief executive of Nucor, now the second-largest US producer. "They can't possibly sell it at these prices and make money."

Foreign producers will probably end up selling a record 35m-36m tons of steel in the US this year, or 27 per cent of the total, says Thomas Runiewicz of Wefa, an economic consulting concern.

That would top the record 25 per cent penetration they achieved in 1994, when US mills were unable to keep pace with soaring domestic demand.

Steel prices are already falling sharply as a result. Nucor, which typically leads the industry in setting "spot" prices, has just slashed its price for big customers to $270 a ton for the most common hot-rolled steel.

That is still higher than the $240-$250 a ton that high-grade Japanese steel is selling for, and the $210 a ton for lower-quality Russian steel, says Mr Correnti.

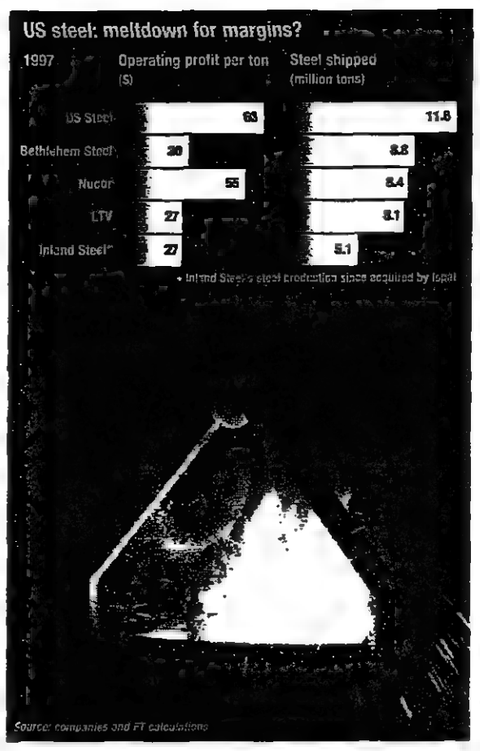
Price reductions of this magnitude will eat quickly into the profit margins of some of the large US integrated producers.

Newer mini-mill operators like Nucor, which make steel by melting scrap in electric furnaces, operate on lower costs – and higher margins – and so are likely to ride out the storm with greater ease.

After a wave of construction in recent years, electric furnaces will account for 45 per cent of US raw steel production this year, according to Wefa.

It will be tougher for Big Steel – the collection of large, integrated producers. The largest, US Steel, has driven its profitability ahead of its peers and, with only about $500m of debt, has much greater financial flexibility.

Others, though, have little room for manoeuvre. According to Bethlehem Steel, a fall of only 1 percentage point in steel prices last year would have wiped nearly $50m from its pre-tax profits. With operating profits from its steel operations of less than $300m in 1997, it would not have taken much to tip the company into loss. Bethlehem, which was removed from the Dow Jones Industrial Average 18 months ago, is now worth under $1bn – 57 per cent less than in May.



The impact of the import wave is likely to be felt increasingly deeply over the coming months. For a start, large parts of the US steel market have yet to feel the pinch. Imports so far have been restricted to flat rolled products – the sort used in cars and appliances. Other segments of the market could soon feel the squeeze: steel bars and other structural products are now beginning to arrive in large volumes through West Coast and other ports, says Mr Correnti. Prices have not fallen yet, but could do so soon.

Also, the pressure will not be lifted quickly. According to Mr Runiewicz, foreign producers are likely to maintain their record market share next year. Things would look even worse if US economic growth – which has lifted steel consumption by more than third in the past five years – slows.

Faced with such a gloomy outlook, US steel makers are likely to respond in familiar fashion – by reaching for their lawyers. The inexorable machinery of the trade courts seems likely to grind into gear in the coming months with the biggest anti-dumping campaign mounted by Big Steel since 1983.

For some old-line integrated mills, however, this may not be enough to keep the wolf from the door.

NEWS DIGEST

BUILDING UTILITIES

French rivals launch joint bid for tender offer

Suez Lyonnaise des Eaux and Vivendi, the rival French utilities and construction conglomerates, yesterday announced their first joint bid for an international tender offer. The companies believe joining forces will boost their chances of snatching the single largest private sector water project – the privatisation of Companhia Estadual de Aguas e Esgotos (Cedae), the water utility serving the Brazilian state of Rio de Janeiro.

"By pooling their know-how, the two groups wish to give themselves the highest chances of success in this exceptional international competition," they said yesterday in identical statements.

Suez Lyonnaise and Vivendi – formerly Générale des Eaux – said the deal, involving the treatment and distribution of 3.5m cu m of water a day, was the world's largest such project. The state government is aiming to raise R$4.8bn (US$4.01bn) from the sale, of which roughly $1bn is to be paid upfront for a 90 per cent stake in the company – the remaining 10 per cent will be distributed to Cedae employees.

Cedae provides water to 1.45m customers and sewerage services to 612,000, mostly in the Rio de Janeiro metropolitan area. Turnover last year was roughly R$1.3bn.

Samer Iskandar, Paris, Jonathan Wheatley, São Paolo

MANUFACTURING

GE Medical to buy Marquette

GE Medical Systems, a unit of General Electric, said yesterday it had agreed to acquire Marquette Medical Systems for $45 a share, or about $808m, payable in GE stock. The deal, approved by the boards of both GE and Marquette, is subject to Marquette shareholder and government approval and is expected to close by early December, GE Medical said.

Marquette shares rose $15, or 54.8 per cent, to $42⅜ in early trading in New York.

Milwaukee-based Marquette provides diagnostic cardiology, patient monitoring and other products. In 1998 its revenues were $578m. GE Medical provides medical diagnostic imaging systems and services. **Reuters, Milwaukee**

BANKING

Merrill Lynch reassures staff

Merrill Lynch, the US investment bank, has called a meeting of its research analysts this morning in London amid speculation about job cuts as a result of turmoil in the markets. Analysts were summoned by an e-mail sent by Charles Lambert, Merrill head of equity research for Europe, Middle East and Africa.

Merrill said yesterday: "No final decisions have been made regarding layoffs anywhere in the firm. If and when such decisions are made, they will be announced. In the meantime, we're not going to comment on rumours or speculation."

Earlier this month, Merrill announced that emerging markets losses of $135m in July and August had cut its net income in the first two months of the third quarter to about $102m. The firm said it planned "selective expense reductions." **Clay Harris**

INTERIM RESULTS 1998

CONSOLIDATED NET SALES
FF 50,477 million
+ 23.3%

CONSOLIDATED OPERATING INCOME
FF 2,273 million
+ 47.7%

INCOME FROM ORDINARY ACTIVITIES BEFORE TAXES
FF 2,125 million
+ 45.2%

CONSOLIDATED NET INCOME, GROUP SHARE
FF 1,276 million
+ 35.3%

CASH FLOW FROM OPERATING ACTIVITIES
FF 2,358 million
+ 33%

ADDITIONAL INFORMATION:
• Internet : http://www.ppr.group.com
• The French Commission des Opérations de Bourse press communique file: 3615 CGB, under heading 64K
• Pinault-Printemps-Redoute Investor relations: 33 1 44 90 63 25

PINAULT PRINTEMPS-REDOUTE

SUSTAINED GROWTH OF BUSINESS AND RESULTS

On 16 September, Pinault-Printemps-Redoute's Supervisory Board, chaired by Mr. Ambroise Roux, approved the group's consolidated financial statements for the six months ending 30 June 1998. The statements were approved as drawn up by the Management Board and certified by the statutory auditors.

CONSOLIDATED INCOME STATEMENT

(in FF millions)	[illegible]	06.30.97	Change
Sales	[illegible]	40,943	+23.3%
Operating income	[illegible]	1,539	+47.7%
Net financial expenses	[illegible]	(76)	
Income from ordinary activities before taxes	[illegible]	1,463	+45.2%
Non-recurring items	[illegible]	1	
Income for consolidated companies	[illegible]	927	+50.6%
Share in earnings of equity affiliates	[illegible]	323	+25.4%
Net income, Group share	[illegible]	943	+35.3%

CONSOLIDATED BALANCE SHEET

(in FF millions)	[illegible]	06.30.97	Change
Fixed assets	[illegible]	28,287	+47.6%
Working capital	[illegible]	4,446	+81.6%
Shareholders' equity (1)	[illegible]	18,355	+39.8%
Provisions	[illegible]	2,192	+38.0%
Net indebtedness	[illegible]	12,186	+73.5%
(1) Group Share	[illegible]	15,598	+37.6%

Variations in net indebtedness over 12 months are entirely due to the financing of acquisitions during the period and to net indebtedness of the companies acquired. At 30 June 1998, the net indebtedness/shareholders' equity ratio reached 0.82% compared to 0.69% at 31 December 1997 and to 0.66% at the end of first half-year in 1997.

Cash flow from operating activities rose 33% to FF 2,358 million while net capital expenditures for operations increased 62.5% to FF 1,048 million.

Pinault-Printemps-Redoute's consolidated sales rose 23.3% to FF 50,477 million during the first half of 1998. The growth stems from a stepped-up acquisitions program in the first six months of the year, organic growth of trading names in France and abroad and an improving economy that benefited all of the group's activities.

Sales rose 7.2% on a comparable basis, breaking down as follows by division: Retail= +7.7%, Wholesale= +6.2%, International Trade= +10.4%.

The Group's acquisitions furthered its strategy of international growth. As a result, 43.8% of sales were made abroad for the six months ended 30 June 1998 as opposed to 34% for the same period in 1997. The companies acquired in the first-half 1998 as well as in 1997 contributed FF 5,624 million to sales growth combined with the currency effect for an additional FF 522 million.

Operating income up sharply

Consolidated operating income rose 47.7% to FF 2,273 million. The operating margin improved considerably, rising over 0.7 of a point from 3.76% in first-half 1997 to 4.50% in first-half 1998 with the acquisitions accounting for 0.3 of a point. The improvement was real in each division.

The first-half net financial expenses came to FF 148 million this year compared with FF 76 million in 1997, owing in main to the recent acquisitions.

Income from ordinary activities before taxes increased 45.2% to FF 2,125 million as a result of the previous effects.

Non-recurring items account mainly reflects the capital gain on Guilbert's sale of JM Bruneau.

Earnings from equity affiliates were up 25.4% to FF 405 million. The Financial Services division, now including Ellos Finans and Empire Finance, recorded a 35.6% rise in new loan production and a 22.1% increase in average performing loans outstanding. Net profit increased by 23.3%.

Goodwill amortization came to FF 200 million versus FF 123 million at 30 June 1997 as a consequence of the acquisitions made since 1997.

Thus, Group share in net income increased 35.3% to FF 1,276 million after accounting for its share in the FF 66 million net capital gain from JM Bruneau. Before goodwill amortization, the increase is 36.4%.

Net earnings per share were up 29.8% due to the new share issue following the acquisition of Guilbert.

A sound financial structure

Fixed assets rose sharply owing to the acquisitions. The change since 30 June 1997 in particular includes FF 9 billion of additional goodwill, mainly from Brylane and Guilbert.

It should be noted that a projected FF 2.6 billion of Guilbert's goodwill, to be allocated, has not been yet booked against shareholders' equity.

A strong expansion, particularly abroad

Over the first half of the year, the Group significantly added to its positions in France and abroad by stepping up its spending on acquisitions. Thus, Pinault-Printemps-Redoute bought out Guilbert, Europe's leader in the direct sale of office furniture and supplies with 1997 sales of FF 5.6 billion of which 53% were outside of France.

Redoute also acquired Brylane, which was consolidated for 3 months at period end. Brylane, US's leader in catalog sales specializing in apparel with 1997 sales of FF 8.1 billion.

Revel acquired Ideal and REC (formerly GEC) in New Zealand and REC in Australia contributing sales of FF 1,820 million on a full-year basis.

Fnac and Redoute bought a controlling stake in Eveil & Jeux, France's leader in mail-order educational toys.

Finorel bought out the Sovac's stakes in Finédis and UCCM, which manage Printemps and Fnac's store credit cards.

All in all, the acquisitions made so far this year will contribute an additional FF 16.3 billion to consolidated sales on a full-year basis, thus enhancing the group's earnings.

During the first half-year, the Group also launched Made in Sport, a chain specialized in sports as well as Kertel, a new telecommunications operator.

Recent events

Conforama and Fnac have continued to expand abroad by acquiring the Brico Hogar chain of Spanish stores and Alco Shopping Cultural in Brazil respectively. Revel added to its presence in Australia with its acquisition of Ideal and Tark. Lastly, Guilbert bought out Archingeo in Italy.

Prospects

Since the beginning of July and until that day, business activity of the Group's companies has kept on track. Nevertheless, management is prudent with respect to its business prospects for the rest of 1998.

Parent company financial statements

The parent company's income from ordinary activities before tax came to FF 937.3 million at 30 June 1998 versus FF 662 million a year before. Net income before taxes was FF 935.2 million at 30 June 1998, compared with FF 651 million at 30 June 1997.

GM strike hits results at Magna International

By Scott Morrison in Toronto

Magna International said yesterday that the recent eight-week strike at General Motors had cost it about C$135m (US$88.3m) in lost revenue and almost C$27m in earnings during its fourth quarter.

The Canadian car parts group also said it was considering separating its real estate assets in Canada and Austria into a holding company and spinning that off to shareholders. Magna's board is scheduled to review the plan by the end of October.

For its final quarter, which ended on July 31, Magna reported net income of C$104.4m, or C$1.22 a share, compared with analysts' forecasts of about C$1.30. In the same period a year ago, Magna achieved net income of C$103.6m, or C$1.33, excluding a gain of C$38.4m, or 48 cents, on the sale of shares of a subsidiary.

Earnings per share fell because of a 10 per cent increase in the number of shares outstanding.

The company also disclosed that its next-generation hydro-forming technology – through which car parts are moulded by highly pressurised water – has generated about C$1bn in contracts. It said it was negotiating an additional number of significant hydro-forming contracts, but declined to provide details.

Magna, which earlier this year acquired 95 per cent of Steyr-Daimler-Puch, the Austrian car parts maker, said it had fourth-quarter sales of C$2.5bn, reflecting a higher content per vehicle ratio in North American and European-made cars.

For the year as a whole, sales rose to C$9.2bn from C$7.7bn in 1997. Net income was C$506.2m, compared with income of C$603.4m last year, when the company recorded C$177.1m in special gains. Operating income rose to C$710.1m from C$659.9m.

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FT FINANCIAL TIMES

STEEL PRODUCTION FRENCH GROUP AIMS TO BECOME EUROPE'S BIGGEST PRODUCER THROUGH BELGIAN PRIVATISATION OFFER

Usinor launches bid for control of Cockerill

By Neil Buckley in Brussels

Usinor of France yesterday launched its bid to become Europe's biggest steel maker, with an offer for a majority stake in Cockerill Sambre, the Belgian state-controlled steel group.

The combined groups would have an annual output of about 21m tonnes, ahead of Arbed of Luxembourg, and Germany's Thyssen Krupp Stahl.

Usinor was left as sole interested party in the privatisation of Cockerill, one of western Europe's last, large state-dominated steel makers, after Thyssen Krupp withdrew from the bidding last week.

Both the government of Wallonia, Belgium's French-speaking southern region, which owns 75.77 per cent of Cockerill, and Usinor confirmed the French bid. But neither side was prepared to discuss the size of the offer.

Analysts speculate that the bid could be valued up to BFr30bn ($860m), based on Cockerill's market capitalisation of about BFr60bn. But the precise amount is likely to be subject to negotiation between Usinor and the Walloon region, and depend on the economic outlook for the steel sector and the size of any control premium Wallonia is able to extract.

Wallonia's ability to demand a high price for the group, and the guarantees it would have wanted on preservation of employment in Belgium, may have been damaged by Thyssen Krupp's withdrawal.

Analysts also said Wallonia's decision to extend the deadline for bids – partly at Thyssen Krupp's request – had rebounded on it as the share prices of steel companies had fallen amid a worsening outlook for the sector.

But observers suggest Wallonia has little choice but to accept Usinor's offer, since Cockerill's future as a stand-alone group would be limited. A decision is expected by mid-October.

"Usinor was always the favourite," said one industry insider. "There is very good industrial complementarity between [Usinor and Cockerill], both in terms of products and geography."

The French group is thought likely to take just over 50 per cent, with the Walloon region retaining a blocking minority of about 25 per cent, and part of the equity remaining quoted on the Brussels bourse.

Usinor is expected to pledge investment of about BFr10bn in modernising Cockerill's operations.

The French group took a majority stake last year in Fabrique de Fer de Charleroi, a producer of premium steel products.

Talks continue over PFE disposal

By Alice Rawsthorn

Bidders for PolyGram Filmed Entertainment, Europe's largest film producer and distributor, were locked last night in talks with Goldman Sachs, the bank handling the sale, after Friday's bidding deadline.

Carlton and Canal Plus, the UK and French media groups, are both understood to have made offers, but only for parts of PFE. They may try to agree a joint deal with another bidder, Artisan Entertainment, the US film and video distributor.

Kirk Kerkorian, the US corporate raider, is believed to be continuing talks with Goldman Sachs over a possible cash offer for all of PFE. He is considering proposals to merge PFE with MGM/UA, his existing Hollywood studio, which he recently put up for sale.

PFE, which owns a 1,500-strong film library and has produced such box office hits as *Four Weddings And A Funeral*, *Fargo* and *Bean*, went up for sale after Seagram of Canada bid $10.4bn for PolyGram, the Dutch entertainment group.

The PFE management hopes to keep the company intact. However, EMI, the only bidder other than Mr Kerkorian interested in buying the whole company, dropped out of the auction last week.

If Carlton, Canal Plus and Artisan agree terms, the latter would be likely to acquire US distribution rights to PFE's films, with the Europeans sharing the rest. It is not clear whether they would continue to finance new productions.

Another possibility is that Seagram fold PFE into its Universal Studios subsidiary, or at least retain US distribution rights.

NEWS DIGEST

SWEDEN

Näckebro board accepts takeover bid by Drott

The board of Näckebro, the Swedish real estate company, yesterday accepted a SKr3.36bn ($428m) takeover bid from Drott, a larger domestic rival. The deal will create Sweden's largest listed property group, with a combined portfolio of SKr22.8bn.

Näckebro advised shareholders to accept the SKr141-a-share bid. It suggested the offer did not represent a full valuation of its assets but was "reasonable" in the light of present market conditions and its pre-bid share price. Drott's bid had faced opposition from Näckebro, which wanted a negotiated merger. Näckebro's acceptance followed Drott's move last week to call an extraordinary shareholders' meeting to unseat its board.

Drott, which already controls close to 50 per cent of Näckebro's shares, is being floated on the Stockholm stock market this week in a SKr8bn offering.
Greg McIvor, Stockholm

ESTONIA

SEB lifts Hansapank stake

SEB, one of Sweden's largest lenders, yesterday said it had increased its stake in Hansapank of Estonia from 10 to 18 per cent.

The move follows the acquisition by FöreningsSparbanken, SEB's Swedish rival, of a 30 per cent holding in Hansapank, Estonia's largest bank.

SEB, formerly known as Skandinaviska Enskilda Banken, refused to comment on whether it would increase its stake by subscribing to a forthcoming EKr4.1bn ($303m) rights issue in Hansapank, which has been underwritten by FöreningsSparbanken. Both banks have acquired holdings in Hansapank to increase their product distribution in the Baltic region. **Tim Burt, Stockholm**

BANKING

Alpha Credit in Cyprus deal

Alpha Credit Bank, Greece's biggest private bank, has agreed to pay C£20.55m ($41.3m) for a 75 per cent stake in Lombard NatWest Bank, a Cyprus-based subsidiary of the UK's NatWest Group. It is the first Greek purchase of a bank in Cyprus.

Alpha Credit said the acquisition was part of its strategy of expanding in south-east Europe. Alpha Credit controls a subsidiary bank in Romania as well as a branch operation in Albania, which mainly cater for Greek companies trading and investing in the Balkans.

Greek banks have started to look around for acquisitions outside the country as consolidation of the sector picks up speed. Cyprus is seen as a promising market because the Greek Cypriot government will have to lift its 9 per cent interest rate ceiling and abolish foreign exchange controls as part of its bid to be included in the next round of European Union enlargement.

Lombard NatWest has assets of C£333m. Pre-tax profits were flat last year at C£3.22m, but income from banking activities increased 30 per cent. Alpha Credit said the bank would be renamed Alpha Bank. **Kerin Hope, Athens**

CLEANING

ISS acquires NFI

ISS, Denmark's international contract cleaning group, has acquired Nörrköping Fabriks och Industrisanering (NFI) a family-owned Swedish specialist in factory and power plant cleaning.

The company has about 400 employees and a turnover of SKr160m ($20m). No financial details were released. The acquisition fits the ISS strategy of growing in specialised cleaning services.
Hilary Barnes, Copenhagen

SOUTH AFRICA

Lafarge buys Blue Circle unit

Lafarge, the French construction and building materials group, has paid $240m for Blue Circle Industries' South Africa unit. Blue Circle (South Africa) is the country's third largest cement producer and has annual sales of around $150m.

Lafarge said the purchase was in line with its plans to develop foreign markets, especially emerging markets. It said South Africa's cement market was expected to grow by 5 per cent a year. **AFX News, Paris**

Alcatel might tarnish France's blue chips

By David Owen in Paris

This time last week, Serge Tchuruk, chairman of Alcatel, seemed secure in his status among la crème de la crème of French managers.

A man who apparently spoke the languages of the Anglo-US investment community and the French public-sector elite with equal facility, he was credited with reshaping one of Europe's biggest telecommunications equipment groups with speed and success.

But on Thursday, following an unexpected profits warning, Mr Tchuruk's halo slipped. The credibility he had painstakingly built over more than three years with Alcatel and before that as chairman of Total, the French energy group, took a severe buffeting in one stormy session of the Paris bourse. This left Alcatel's shares down more than 38 per cent, wiping FFr70.5bn ($12.4bn) from its stock market capitalisation.

Today, the Alcatel chairman meets US institutions seeking to shore up confidence in the company.

His performance is likely to have a bearing on much more than his company's future share price, rather its vulnerability to takeover. Anglo-US investors have built up huge stakes in French blue chips in recent years. If they decide their faith in Alcatel is misplaced, it could influence investment decisions on other French companies. "It is unfortunate because I think it could harm the reputation of French companies in general," says Douglas Smith, an analyst with Salomon Smith Barney.

Among the many things US investors will need convincing of today, one of the most important is that Mr Tchuruk still cares about shareholder value. He wasted no time yesterday in securing board approval for a share buy-back programme for a maximum of 10 per cent of the company's capital. But this was by no means unexpected – and proved insufficient to prevent a further 8 per cent slide in the share price.

Mr Tchuruk will also have to convince investors he really had no inkling of the revised profits forecast before completion of the DSC deal on September 7. The Alcatel chairman would then be open to the charge that Alcatel's internal reporting was inadequate.

He will probably need to persuade his audience he is staying focused on telecoms and not being distracted by Alcatel's role in French defence restructuring. Not everybody shares Mr Tchuruk's enthusiasm about Alcatel's investment in Thomson-CSF, the French defence electronics group; the Paris market, after all, marked Alcatel shares up the day Thomson was awarded to Lagardère in late 1996 – a decision that was subsequently cancelled.

He will need to be more specific about the company's response to the market conditions that led to the profit warning. Some analysts yesterday drew a comparison with the trading warning last Friday by Royal Dutch/Shell, the international oil group. The move was combined with the announcement of the closure of Shell's national headquarters in the UK, the Netherlands, France and Germany. Royal Dutch shares fell that day by a much more manageable 5 per cent.

He will probably need to show he is acknowledging analysts' calls for greater transparency, since the market will be much less inclined to take things on trust. "Investors may have forgiven Alcatel in the past for its lack of disclosure relative to peers, but when a company mentions rising inventories without giving balance sheet or cash flow data such as payables or receivables, we expect to see calls for more information to bridge the new-found yawning credibility gap," says Richard Kramer, an analyst with Goldman Sachs.

But, above all, Mr Tchuruk knows he must fulfil revised expectations for the company's second half. "After what has happened, Alcatel cannot afford to miss its targets again," says Sean Faughnan, of J. P. Morgan.

Under pressure: Mr Tchuruk must convince US investors LPPA

Amstutz selected as new chairman of SGS

By William Hall in Zurich

Max Amstutz, one of Switzerland's best-connected business leaders, has been named chairman of Société Générale de Surveillance, the world's biggest inspection and testing company, whose shares have collapsed after a series of profit warnings.

Mr Amstutz, 69, will replace Elisabeth Salina Amorini, who is stepping down after a series of profits warnings and a scandal involving an SGS subsidiary in Pakistan.

He is one of five new directors standing for election to the board following the resignation of all but two of the current nine members. Mr Amstutz was nominated by a shareholder group controlling 45 per cent of the equity.

SGS, which was once one of Switzerland's premier blue chip stocks, has been hit by the loss of two of its biggest government inspection contracts and the alleged involvement of a former subsidiary in a Pakistani corruption scandal.

Earlier this month it announced a 91 per cent drop in net income, to SFr10m ($7.2m), and reported that its entire board, most of whom had been re-elected for a six-year term in June, was standing down.

Mrs Amorini, whose grandfather Jacques Salmanowitz ran SGS for nearly 50 years, has put her name forward to continue as a director, although she is shedding her role as chairman and *administrateur délégué*.

Mr Amstutz has spent most of his professional career as a senior executive of Holderbank, one of Switzerland's most successful family controlled businesses, where he rose to be managing director. Since 1994 he has been chairman of Von Roll, a Swiss engineering company, and has pushed through the reorganisation of the Swiss steel industry. He has been deputy chairman of Alusuisse-Lonza Holding since 1986 and holds a number of other non-executive directorships, including Finter Bank in Zurich.

Dresdner and Allianz jointly manage assets

By Tony Barber in Frankfurt

Dresdner Bank and the German insurance group Allianz yesterday announced the creation of a joint venture in asset management services and suggested that they were considering further co-operation in the future.

The two financial institutions, which are linked through sizeable cross-shareholdings, said they would set up a new company in Munich called ADAM Service to help them run their asset management activities.

The two companies had assets of DM1,084bn ($641bn) under management as of last June, of which Allianz controlled DM670bn and Dresdner DM414bn. The joint venture, in which both will hold a 50 per cent interest, should achieve significant economies of scale, saving each company at least DM10m a year.

The Frankfurt stock market has kept a close eye on the intentions of Dresdner and Allianz since the bank disclosed last March it planned to strengthen its asset management links with Allianz, Europe's largest insurer, before the year's end.

Dresdner, Germany's third largest bank, signalled its ambitions in the field of asset management in 1995 when it acquired RCM Capital Management in San Francisco. The fact that Allianz is Dresdner's largest shareholder, with a stake of about 22 per cent, led some investors to anticipate a merger of the two companies' asset management arms.

In the event, Dresdner and Allianz made clear yesterday their initiative fell short of a full-scale merger. They said that, for the moment, each company would stick to its own products, marketing strategies and investment processes.

Nevertheless, Diethart Breipohl, an Allianz management board member, indicated the companies might take their co-operation further. "We will continue to follow our own strategy, but where costs arise we will work together," he said.

As an example, Dresdner and Allianz intend to co-operate in the development of their internet-based fund business. Likewise, both companies have identified France, Germany, Italy and Spain as their prime targets in the mutual fund market after the euro's launch next January.

Dresdner has openly acknowledged its interest in expanding into US investment banking.

Mobistar sets IPO prices

By Vincent Boland

Mobistar, the Belgian mobile telephone operator, could be valued at BFr30bn ($860m) when it makes its stock market debut next month, after it set an indicative price range of BFr1,160 to BFr1,320 yesterday for its initial public offering.

A 15 per cent stake in Mobistar, Belgium's second mobile operator, is being sold to investors in an offering led by Deutsche Bank, ING Barings and Banque Bruxelles Lambert that could raise BFr4.5bn.

The IPO is being watched closely by bankers and investors nervous about the effect of volatile stock markets. Mobistar is one of several telecoms issues currently being sold, although it is small compared to the two biggest offerings, of Swisscom and DoCoMo, the Japanese mobile operator.

The price range was set on the day that a placing of shares in Telewest Communications, a UK cable company, on the London stock market was postponed because of pricing difficulties. Analysts said investors were very sensitive to the price of new issues.

After its IPO, Mobistar will be 51 per cent owned by France Telecom. Other shareholders include Telinfo, another Belgian telecoms company, and a consortium of Belgian investors.

EXTRAORDINARY GENERAL MEETING
of
SGS Société Générale de Surveillance Holding SA, Geneva
on 13th October 1998, at 10.30 a.m. at the Noga Hilton Hotel, Salle Ballroom (mezzanine), 19 quai du Mont-Blanc, Geneva.

List of candidates for election to the Board of Directors (item 3 of the Agenda) proposed by the group of significant shareholders described in Note 13 to the financial statements (page 67 of the Annual Report 1997) who are party to a voting agreement:

Mr. Max D. AMSTUTZ
Mr. Jaime CARVAJAL URQUIJO
Mr. August VON FINCK
Mr. Thierry LALIVE D'EPINAY
Mr. Dominique P. MORAX
Mrs. Elisabeth SALINA AMORINI
Mr. Ricardo H. SIEPMANN

The shareholders referred to above reserve to complete or amend this list.

If Art. 19, 1st para. of the Articles of Association is amended as proposed, the term of office of the new Directors will last until the annual Shareholders' meeting which will take place in 2002.

Mr. Max D. AMSTUTZ has already declared his willingness to accept to serve as Chairman of the Board of Directors if the Board should appoint him.

Mr. Thierry LALIVE D'EPINAY has already declared his willingness to accept to serve as Deputy Chairman of the Board of Directors if the Board should appoint him.

Mrs. Elisabeth SALINA AMORINI will not be a candidate for the positions of Chairman or "Administrateur Délégué".

SGS Société Générale de Surveillance Holding S.A.
8, rue des Alpes - 1211 Genève 1

NOTICE IS HEREBY GIVEN THAT AN
EXTRAORDINARY GENERAL MEETING
of the above Company will be held on Tuesday 13th October 1998, at 10.30 a.m. at the Noga Hilton Hotel, Salle Ballroom (mezzanine), 19 quai du Mont-Blanc, Geneva.

The doors will open at 9.30 a.m.

Access will be permitted to

- bearer shareholders, upon presentation of an admission card, at the entrance before 10.15 a.m.
- registered shareholders, upon placing, before 10.15 a.m. at the entrance, an admission card which will be exchanged for a voting card.

The doors will close at 10.30 a.m. precisely.

AGENDA

1. **Information on the Business affairs of the Group and its restructuring**
2. **Amendment of Articles of Association**
   Proposal of the Board of Directors
   The Board of Directors proposes to reword Article 19, 1st para. of the Articles of Association to read as follows: "La durée des fonctions des membres du conseil d'administration est d'au maximum quatre (4) ans."; the 2nd para remains unchanged.
3. **Election to the Board of Directors**
   A list of candidates proposed by a group of shareholders is published seperately in this issue of the Financial Times. The shareholders who wish to propose further candidates are invited to present their proposal to the Secretary of the Board of Directors if possible before the General Meeting

BEARER SHAREHOLDERS

The holders of bearer shares wishing to participate or be represented at the Meeting may obtain an admission card either by depositing their share certificates at the Head Office of the Company, or by sending to the Company a statement of deposit and holding duly executed by their bank of deposit. The deposit of share certificates and collection of an admission card may be made on any business day, until 2nd October 1998 at the latest, at the Head Office of the Company between 9.30 and 11.30 a.m. or otherwise by arrangement (Telephone +41 22 - 739 95 51, Share Registry). The shares deposited may be collected from the first business day following the Meeting.

No admission card will be available at the entrance of the Meeting.

REGISTERED SHAREHOLDERS

Registered shareholders appearing on the register of shares as at 15th September 1998 will receive, a Notice of Meeting. Shareholders in respect of whom a registration would have been made during the period 15th to 23rd September 1998 will receive the Notice of Meeting at a later date.

REPRESENTATION

Shareholders not wishing to take part in the Meeting may be represented by another shareholder (in accordance with the provisions of the Statutes, registered shareholders may only be represented by another registered shareholder in possession of a written proxy) or by their bank of deposit. They may also be represented by a representative of the Company or, alternatively, designate Ms. Dominique Brown-Berset, attorney-at-law, Froriep Renggli, 4 rue Charles-Bonnet, CH 1206 Geneva, an independent person pursuant to Article 689c CO, to represent them at the Meeting; in such instance, we would ask that registered shareholders address their proxy form or, in the case of bearer shareholders their admission card, directly to Ms. Dominique Brown-Berset at the aforementioned address, until 2nd October 1998 at the latest.

Deposit representatives within the meaning of Articles 689d CO, are requested to inform the Company as soon as possible, and in any event not later than 13th October 1998 at the entry roster of the Meeting, of the number, nature and nominal value of the shares they represent. Institutions subject to the Federal law on banks and savings institutions of 8th November 1934 as well as professional portfolio managers are considered as deposit representatives.

MINUTES OF THE MEETING

The resolutions of the Meeting will be available for inspection by shareholders at the head office of the Company from the 20th October 1998.

Geneva, 22nd September 1998

On behalf of the Board of Directors
Elisabeth Salina Amorini, Chairman

STOCK EXCHANGE AUSTRALIAN BOURSE TO BECOME PUBLIC COMPANY AND BE QUOTED ON ITS OWN MARKET

ASX set to demutualise next month

By Vincent Boland

The Australian stock exchange is to turn itself into a public company next month and list its shares on its own market in a bid to become more flexible in meeting growing competition from regional and other national exchanges.

The ASX, one of the largest in Asia by market capitalisation and with more than 1,200 listed companies, will demutualise on October 13 and offer its 606 members equal numbers of shares, which will be listed on the exchange on October 14.

The move is the latest in a series of demutualisations and public listings by stock markets around the world.

Faced with growing competition from electronic offshore markets, traditional national exchanges are seeking to make themselves more responsive to market developments.

The Milan bourse demutualised in a private placing late last year and became a commercial enterprise as it sought to regain the momentum it had lost to the London and Frankfurt exchanges in attracting domestic listings.

A 38 per cent stake in the Athens stock exchange was sold to a group of domestic investors for Dr22bn ($76m) late last year, and the government plans to list the rest of the exchange soon.

However, the listing will make the ASX only the second stock market whose shares can be publicly traded.

The Stockholm stock exchange is owned by OM Gruppen, a publicly listed Swedish company.

Richard Humphry, ASX managing director, said the Australian exchange's listing was "a strategic move to meet the competitive challenges of domestic and international capital markets" and designed to help it become more flexible as the demands of its members changed.

The ASX plans to issue a total of just over 100m shares, with each of its members receiving 166,000 shares, which Mr Humphry indicated had a market value of about A$3 each. That would give the exchange a market capitalisation of A$300m (US$177m).

It will not be raising new capital through the listing.

Analysts said at least some ASX members were expected to sell their stakes at a later stage, although under legislation passed last year allowing the exchange to demutualise, no single shareholder can own more than 5 per cent.

Mr Humphry said the ASX was not planning any other strategic moves but could eventually merge with another stock exchange and would also look to boost its activities in futures markets. It currently derives the bulk of its revenues from equity and derivatives trading.

Investors fear worst for Japanese steel

By Alexandra Harney in Tokyo

When Japan's biggest steel companies revealed gloomy results this month, it seemed things could not get any worse. The big five groups forecast huge losses this year in spite of aggressive restructuring to lower costs. NKK, one of the industry leaders, had just been forced to take over the operations of Toa Steel, a collapsed subsidiary, and the sector's share prices were at their lowest in years.

But in the past two weeks, the situation has deteriorated further. The threat of anti-dumping penalties by the US International Trade Commission has fuelled concerns about the sector's profitability. Industry analysts say such penalties could be devastating.

Yesterday, Akira Chihaya, chairman of Japan Iron and Steel Federation, an industry grouping, said steelmakers were considering cutting exports to the US, the only market keeping the industry afloat in recent months.

Not surprisingly, investors are fleeing the steel sector in droves, sending share prices to new lows.

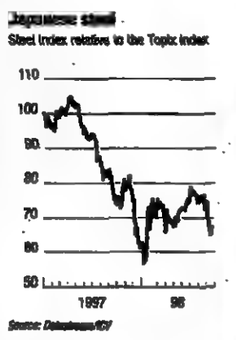
The collapse in domestic demand, primarily from carmakers, has left the industry with overcapacity and rising inventories. To make matters worse, global steel prices have fallen sharply.

Steel companies have slashed production and more than doubled their exports in recent months to improve profitability. In the first half of this year, Japan's steel output fell 10 per cent year-on-year, according to Warburg Dillon Read.

But this strategy has reached its limit. Nippon Steel, the biggest steel group, expects after-tax losses of Y15bn-Y25bn ($113m-$188m) this year, against a Y59bn profit a year ago, in spite of a restructuring launched several years ago. Its shares have tumbled more than 20 per cent in the past two weeks, and yesterday were the market's second most heavily traded, falling Y16 to Y183.

Analysts say Nippon Steel is reflecting market anxieties about the industry as a whole. "People are questioning whether it is necessary to have any Japan steel shares at all... I am recommending that people don't touch it," says Toru Nagai, analyst at Morgan Stanley Dean Witter in Tokyo.

Other steel companies have also been hit. NKK, which absorbed its loss-making subsidiary this month, has underperformed the Topix, the index of all first-sector shares, by more than 50 per cent this year.



In a jam: steelmakers may cut exports to the US because of threatened anti-dumping penalties

The shares have plummeted below the benchmark of Y100, falling to Y87 at yesterday's close.

Analysts warn it could be a long time before things pick up. The Japan Iron and Steel Federation yesterday cut its forecast for crude steel production this year from 97m tonnes to 94m-95m tonnes, but analysts say this still leaves considerable over-supply. Warburg Dillon Read estimates Japan's consumption of crude steel at 84m tonnes in 1998.

If they are right, there could be further restructuring. Kobe Steel, another of the big five, is gearing up for a cost-cutting scheme that would spin off non-core businesses to subsidiaries, cut staff at its head office and increase outsourcing. The question is whether this will be enough to keep pace with conditions in the market, which are sure to decline further.

Nissho Iwai shares dive on securities worries

By Michiyo Nakamoto in Tokyo

Nissho Iwai, one of Japan's large trading companies, yesterday suffered a 10.6 per cent fall in its share price as investors remained concerned about unrealised losses on securities holdings and its exposure to Asia.

The fall, from Y151 on Friday to Y135, came after Moody's, the US credit rating agency, lowered the group to speculative grade last week.

Nissho Iwai's relatively high level of securities investments in comparison with its equity base has left it particularly vulnerable to speculation.

Analysts believe the company's unrealised losses on its equity holdings could be Y100bn ($753m), compared with its declared loss on equities of Y25bn at the end of March.

The company had consolidated shareholders' equity of Y269.3bn at the end of March.

Investors are also worried by the state of two of its subsidiaries, Nissho Iwai Finance and World Leasing.

Nissho Iwai Finance was created in 1993 to make the parent company's balance sheet look better, said Kota Nakako at Warburg Dillon Read in Tokyo. World Leasing has a leasing business but also has significant financial investments.

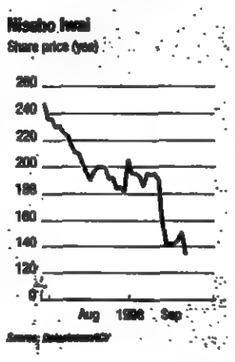
The two companies had unrealised losses on securities investments of Y25bn at the end of March. This figure is likely to have increased substantially as a result of the drop in share prices.

Nissho Iwai has provided loans to both companies. Short-term loans to Nissho Iwai Finance, due for redemption by the end of next March, amount to Y164bn, while those to World Leasing come to Y17bn, according to public records.

The group's links with Asia are another concern. Nissho Iwai's exposure to the region amounts to 9.3 per cent of total assets, or Y505.8bn, compared with other Japanese trading companies, whose average exposure to Asia is 4.7 per cent of assets, said Mr Nakako at Warburgs.

The company's downgrading by Moody's damages its credibility and increases its cost of fund-raising. Nissho Iwai said it had not yet seen any change in the situation of its Asian businesses and expressed bewilderment at Moody's move.

Domestic pension funds are believed to have sold their holdings since they are prohibited by law from investing in non-investment grade issues, said Howard Smith, industry analyst at ING Barings in Tokyo.



This notice is issued in compliance with the requirements of the London Stock Exchange Limited (the "London Stock Exchange"). It does not constitute an offer or an invitation to any person to subscribe for or purchase any securities. Application has been made to the London Stock Exchange for the admission to the Official List of 41,252,075 ordinary shares of 10p each (the "Ordinary Shares") in Waterfall Holdings PLC (the "Company") which are currently quoted on the Alternative Investment Market. It is expected that dealings in the Ordinary Shares of the Company will commence on 24 September 1998 for normal settlement.

WATERFALL HOLDINGS PLC

(Registered in England and Wales with registered number 00164512)

Introduction to the Official List

Sponsored by Robert Fleming & Co. Limited

Share capital

Authorized		Issued and fully paid	
Amount	Number	Amount	Number
£5,500,000	55,000,000	£4,125,208	41,252,075

Listing Particulars relating to the admission of the Ordinary Shares to the Official List have been approved by the London Stock Exchange and published to comply with the requirements of the London Stock Exchange Listing Rules. Copies are available for collection only from the Company Announcements Office, London Stock Exchange, Old Broad Street, London EC2N 1HP during normal business hours for a period of 2 business days from the date of this notice and during normal business hours on any weekday (Saturdays and public holidays excepted) up to and including 5 October 1998, from:

Waterfall Holdings PLC
53/55 High Street
Aldershot
Hampshire
GU11 1BY

22 September 1998

Tower poised for offering despite GPG opposition

By Terry Hall in Wellington

Tower Corporation, the Australasian insurance group, yesterday announced details of its demutualisation plans in spite of further moves from Sir Ron Brierley's Guinness Peat Group, to be heard before the Court of Appeal today.

The hearing is the latest move in a series of legal challenges over the past year by GPG to try to stop the demutualisation.

GPG is pushing a rival scheme that would see Tower merge with Tyndall, GPG's 51 per cent owned Australasian insurance subsidiary.

Tower, formerly called Government Life Office, estimated the group would be worth up to NZ$1.05bn ($531m) after demutualisation. Directors plan to list the shares on the Australian and New Zealand Stock Exchanges early next year. The new company will have an issued capital of 1.37m shares.

The 160,000 members who had policies with Government Life Office have been allocated 58m shares. The other 240,000 members – mostly Australians who had policies in subsidiary companies acquired by Tower – will be offered 44m partly paid shares.

A total of NZ$500m will be raised through the issues of shares. Local and overseas institutions can bid for a further 40m shares, although preference will be given to existing shareholders.

James Boonzaier, chief executive, said he did not believe GPG's actions could delay the demutualisation and that converting to a public company would give Tower access to capital for acquisition and growth in both Australia and Asia.

NEWS DIGEST

AIRLINE

PAL wins extension to debt moratorium

Philippine Airlines, the national carrier, was yesterday granted a 60-day extension of its debt-servicing moratorium by the Securities & Exchange Commission. The airline has debts of $2.1bn and faces closure. The new moratorium expires on November 20. The airline first filed for debt-payment relief in June following a pilots' strike.

The extension came on the deadline to file a rehabilitation plan and allows PAL to revise its plan to reflect recent developments. These include the unions' rejection of the management's offer to workers of 20 per cent stake and three board seats in exchange for a 10-year suspension of the collective bargain agreement. However, it is unclear whether PAL will submit a plan when the new deadline expires. **AP-DJ, Manila**

CHINA

Foreign banks plan start-up

Nine foreign banks in the southern city of Shenzhen have applied for licences to start local currency business, the latest step in the liberalisation of financial services in China.

The nine banks include Sanwa Bank, Bank of Tokyo-Mitsubishi and Fuji Bank of Japan, the US-based Citibank, and Standard Chartered Bank and the Hong Kong and Shanghai Banking Corporation, both of the UK. The Shenzhen Securities News, an official newspaper, reported that the local branches of Hong Kong-based Bank of East Asia, Nanyang Commercial Bank and the Chinese Mercantile Bank had also filed applications.

The People's Bank of China, the central bank, last month approved Shenzhen as the second city in China where foreign banks would be able to offer services in renminbi. The first foreign financial institutions were allowed to conduct Chinese currency business in Shanghai from the beginning of last year. **James Harding, Shanghai**

KOREA

Local groups submit Kia bids

South Korea's three carmakers yesterday submitted bids for Kia Motors, which was put up for auction for the second time, with its commercial vehicle unit Asia Motors, this month. The last entry to the auction was Daewoo Motor, the country's second largest carmaker. It followed bids by Hyundai Motor and Samsung Motors. The three are the only bidders after Ford of the US dropped out of the auction because of Kia's huge debts. **AP-DJ, Seoul**

MALAYSIA

Bumiputra slides into red

Bank Bumiputra, Malaysia's state-owned bank, revealed yesterday a swing in full-year results from a pre-tax profit of M$724.3m last time to pre-tax losses of M$1.39bn (US$366m) for the year ended March 31. The news followed the announcement that Bank Bumiputra is to merge with Commerce Asset Holding to form the country's second largest banking group, with about M$80bn in assets.

Provisions for loans and financing losses were M$2.48bn. Its non-performing loans ratio to total loans rose from 5.7 per cent a year earlier to 12.6 per cent. **Sheila McNulty, Singapore**

SPORTSWEAR

Nike cuts staff in Vietnam

Nike, the US sports goods group, has laid off about 2,700 workers in subcontracted factories in Vietnam in the face of declining orders. Korean-owned Chang Shin Vietnam, in the southern province of Dong Nai, and SamYang Vietnam, in nearby Cu Chi, a district of Ho Chi Minh City, had been forced to lay off about 900 workers each since June, Nike said. Roughly the same number has been laid off at Dona Victor Footwear, another Korean-owned factory in a remote district of Dong Nai. However, the figures could be higher, as the Nike factories must apply to the local government 45 days in advance of a lay-off.

More than 1,000 workers at Taiwanese-owned Nike factory Pou Chen Vietnam Enterprise, have been moved to part time, and production lines had been idle in the factory for months, said Nguyen Dinh Thang, chairman of the Dong Nai Union Trade Federation. He said the Taiwanese factory may also cut staff soon. **AP-DJ, Hanoi**

SEMICONDUCTORS

Anam in $600m asset sale

Anam Semiconductor, the South Korean chip maker, is close to signing a deal with foreign investors to sell part of its assets for $600m. The deal, arranged by Salomon Smith Barney Holdings, was likely to be completed by the end of this month, the company said yesterday.

The sale is part of Anam's plan to attract $2.3bn-$2.5bn in total foreign investments. The identity of the possible buyers was not disclosed.

Anam shares closed up Won505, its daily limit, at 4,715. **Reuters, Seoul**

NOTICE

The United Mexican States

Value Recovery Rights, Series A

NOTICE IS HEREBY GIVEN pursuant to the Fiscal Agency Agreement dated as of March 28, 1990 (the "Agreement") under which the above Rights were issued that the Fiscal Agent has received a Calculation Report for the Payment Date occurring on September 30, 1998 from the International Monetary Fund, as Calculation Agent for the Rights under the Agreement, setting forth the following amounts:

Current Oil Price	US$	13.2612
Reference Oil Price	US$	17.7546
Current Oil Revenues	US$	2,019,507,970
Excess Base Revenues	US$	0
Excess Price Revenues	US$	0

Based upon the Calculation Report the Fiscal Agent has calculated for said Payment Date the following amounts:

Value Recovery Payment	US$	0
Carryforward Amount	US$	0

CITIBANK By: Citibank, N.A. as Fiscal Agent

September 22, 1998

NIPPON MEAT PACKERS, INC. (CDRS)

The undersigned announces that the year ended March 31, 1998 of Nippon Meat Packers, Inc. will be available in Luxembourg at:

Kredietbank S.A., Luxembourgeoise, Luxembourg

and further in Amsterdam at:

ABN AMRO Bank N.V., MeesPierson N.V., Kas-Associatie N.V., Amsterdam,

September 21, 1998

AMSTERDAM DEPOSITARY COMPANY N.V.

Hamburgische Landesbank-Girozentrale

Esp 10,000,000,000

Bonds Due: 8th October 2001

Issue Date: 8th October 1997

(Early redemption on 8th October 1998)

The issuer informs that pursuant to the Terms and Conditions of the above - mentioned Bonds, elects to exercise the call option and prepay at 100% the whole of the Bonds on 8th October 1998

Banco Bilbao Vizcaya S.A. Madrid, Agent

BBL

THE BATAVIA FUND LIMITED

NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the Annual General Meeting of the Members of the Company will be held at the offices of Darier, Hentsch (Asia) Limited, 2905 Jardine House, 1 Connaught Place, Central, Hong Kong on 12th October 1998.

AGENDA

1. To receive and adopt the Accounts, together with the Reports of the Directors and Auditors, for the year ended 31st March 1998.
2. To re-appoint Price Waterhouse as Auditors of the Company.
3. To authorise the Directors to determine the remuneration of the Auditors.
4. Any other business.

By order of the Board
Swiss Pacific Corporate Secretaries Limited
Secretary

VOTING ARRANGEMENTS FOR IDR-HOLDERS:

IDR-Holders who wish to vote must follow the following procedure: If the IDRs are held in an account with Euroclear or Cedel, IDR-Holders must contact Euroclear or Cedel instructing them to block the IDRs in the IDR-Holder's account until conclusion of the meeting and specify the manner in which the votes attributable to the IDRs should be cast. If the IDRs are not held through Euroclear or Cedel, IDR-Holders must ensure that their voting instructions, together with either their IDRs or their bank's confirmation of deposit (including IDR serial numbers), reach the Depositary at the latest on 8th October 1998 at noon at the address given below (attention John Cronin - Capital Markets Support - telephone 322.547.31.48).

Copies of the Annual Report are available at the Depositary's address indicated below.

Depositary: Banque Bruxelles Lambert
24, Avenue Marnix, 1000 Brussels

HUNTSVILLE, AL

Sensational, one-story, fully air-conditioned, 292,550 sq. ft., four-building complex on 75 acres

- Minutes to I-565, I-65, and the Huntsville Airport
- Over 140,000 sq. ft. of modern office and laboratory space
- Cafeteria facilities and all utilities
- On-site employee recreation area
- 11 truck docks; one drive-in door
- Reinforced concrete floors; brick over concrete block walls

BINSWANGER
7201 Peachtree Street, NE, Suite 1020, Atlanta, GA 30361
404-892-4700 • Fax 404-872-1763
E-mail: info@binswanger.com
160 Offices Worldwide
http://www.cbb.com

CHESTERTON BLUMENAUER BINSWANGER

BUSINESS OPPORTUNITIES

READERS ARE RECOMMENDED TO SEEK APPROPRIATE PROFESSIONAL ADVICE BEFORE ENTERING INTO COMMITMENTS

WANTED - FOOD INGREDIENT COMPANIES

We are actively seeking and purchasing food ingredient businesses with turnover in excess of £4m, ideally profitable, but turnarounds will be considered.
Send details to Box B6065, Financial Times
One Southwark Bridge, London SE1 9HL.

BUYING OUT/IN?

We are experienced in negotiating transactions and raising the structured finance required to buy out or into businesses with turnover in excess of £1 Million. If you're thinking of a management buy out or buy in, be well advised

Talk to David Tait or Subhash Thakrar at:

Blackstone Franks

TELEPHONE SYSTEMS MAINTENANCE BASE

WANTED URGENTLY

We are looking to purchase maintenance contracts throughout the UK. Preferably Panasonic, however other manufacturers will be considered. Reply in strictest confidence to:

Box B6104, Financial Times, One Southwark Bridge, London SE1 9HL

WE ARE LOOKING FOR A PARTNER

We are a highly respected and successful small British company dealing in niche markets within the oil, gas & utilities industries. With offices in UK, USA & Australia we have not yet reached anywhere near the true potential with existing products.

Now after two years research we have a new product range in the wings, which has attracted the attention of several of the worlds major companies.

DOES YOUR COMPANY HAVE THE RESOURCES AND MANAGEMENT SKILLS TO ENTER A PARTNERSHIP TO DEVELOP THIS BUSINESS ?

If so please contact Box B6102, Financial Times, One Southwark Bridge, London SE1 9HL.

Specialist Packaging Distribution Outsourced Supply-Chain Management.

Central Irish Midlands business, taking consignment stock in from UK / Europe / Republic, delivering into a Blue Chip Food manufacturer's 4 sites in line with production plans. Have spare established Management / Administration team capacity. Possible Agency, Distributorship or full Supply Chain Management.

Contact - Lawrence Barton.
Purchisties (Ireland)
U.K 0044(0)1223 462244
Republic of Ireland
00353(0)502 62666

BUILDING PROJECTS IN BERLIN

Residences new and for renovation, hotels and industry real estates from £3m up to £35m. Professional investors

please contact:
MCL GMBH, Berlin
Fax: 004930 8935374

Offshore Banks Formation

Banks formation in all offshore banking centres
Euro-Nostro Accounts
Accounting Software
Audit & Financial Statements
Licences Renewal
Legal Advice
Free Brochure available
Daresgold Securities Pacific P/L
Mayo House, Level 43, 80 Collins Street, Melbourne 3000, Victoria, Australia.
Tel.: (61-3) 9639-2722, Fax: (61-3) 9639-2895.

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Clinton effect lifts Taylor Nelson

By Alison Smith, Marketing Correspondent

A UK-quoted market research company has emerged as an unexpected beneficiary of the troubles facing US President Bill Clinton.

Taylor Nelson Sofres, the world's fourth largest market information company, said that Chilton Research Services, the US company it bought in May, was doing well out of the increased demand for opinion polling generated by Mr Clinton's predicament.

TNS bought Chilton from Reed Elsevier, the Anglo-Dutch publishing group, for up to $7m cash.

"Chilton does the ABC television network polls and is getting a lot of business from Bill and Monica," said Tony Cowling, TNS executive chairman. "Gossip is really good for market research."

TNS reported pre-tax profits up to £9.4m ($15.5m) in the first half of this year, an increase of 70 per cent on last time.

This partly reflects its purchase last November of French company Sofres, which helped the group's turnover rise from £45m to £159m. On a like-for-like basis, the improvement was 13 per cent.

Mr Cowling said the real value to the group from the extra US polling was the higher awareness it produced.

He said: "We're getting polls every night on lots of programmes in America: the profile this creates is really good for us."

David Lambert, a senior vice-president at Chilton, said ABC news it had commissioned 15 polls in the last month alone. This was three to four times the level of polling the company would normally undertake for the client.

Mr Lambert said: "It's unheard of – and it will continue until there's some kind of resolution.

"Every time a new item comes out there'll be an interest in how it impacts on public opinion."

The Philadelphia-based company carries out an evening survey based on 500 telephone calls across the US, and delivers the results for broadcast either late the same night or in the following morning's breakfast news programme.

But while at times it may seem that there is only one topic on America's mind, Mr Lambert said that businesses had continued to commission polls on other questions as they usually did.

"I haven't seen a slowdown based on this at all. The main difference is that clients who know we do the ABC polling are more likely to say in the middle of a business call: 'What's the latest?'."

EMI shareholders sound a chorus of disapproval

The music group finds itself beset with problems, explains **Alice Rawsthorn**

Only five months ago, Sir Colin Southgate, EMI's chairman, told Edgar Bronfman Jr, Seagram's chief executive, that his informal offer of 620p a share for EMI was too low, and he would have to raise it to about 700p.

Mr Bronfman replied by jilting EMI to bid $10.4bn for PolyGram, the Dutch entertainment group. EMI's shares have since fallen, but, after a profits warning yesterday, they slid by 61p to 335p, less than half Sir Colin's asking price.

The profits warning is another blow for EMI's shareholders, who have seen the UK music company stumble from problem to problem this year. As well as being spurned by Seagram, EMI has also been beset by trading difficulties, boardroom rifts, and last week's embarrassing episode when it painted itself as lead bidder for PolyGram's film division only to drop out two days before the deadline.

After so many disappointments, how can Sir Colin restore investors' confidence and defuse the threat of a hostile bidder for the world's largest music publisher?

The crux of EMI's problems is that, whereas the other "big five" record companies – Sony, Warner, Bertelsmann and PolyGram – belong to broadly-based entertainment groups, its fortunes are determined by music market conditions.

Since becoming chairman in 1989, Sir Colin has sold the rest of the old Thorn EMI industrial conglomerate. The disposals were widely interpreted as a precursor to selling EMI to a larger group. After demerging Thorn, he held talks with Bertelsmann and Walt Disney, as well as Seagram, but failed to agree terms.

In the meantime, conditions in the global music market have worsened. Sales have slowed in Asia and Latin America, internet piracy has accelerated, and artists have found it far harder to sustain long term success. As a result, EMI has looked far less attractive to potential purchasers.

Last year, EMI was also dogged by the strong pound, which contributed to a fall in pre-tax profits from £380.5m to £307m ($505m).

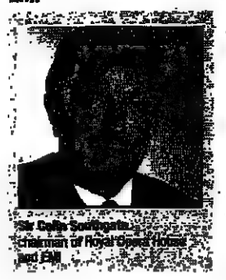
Sales of expensively promoted superstar albums have slipped below expectations. Panmure Gordon now forecasts pre-tax profits of £242.5m this year before a £25m exceptional item. Ken Berry, who became head of EMI's recorded music last year, has cut costs by shedding more than 150 staff in the US and 230 in Japan.

Sir Colin says EMI has little scope for more cuts, but he plans to prune overheads further by rationalising EMI's London properties. He hopes to steer EMI back to growth by making acquisitions in related areas of intellectual property. Buying PolyGram Filmed Entertainment (PFE) would have fulfilled that objective, but EMI "couldn't make the figures add up", said Sir Colin.

Now, there must be a possibility that one of EMI's old suitors, or a newcomer, such as News Corporation or Microsoft, could make a hostile bid.

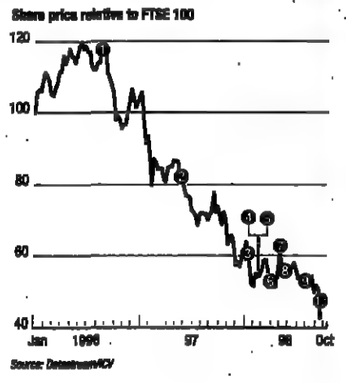
"A few books will be opened on us in the banking fraternity, that's bound to happen," said Sir Colin. "We've got to batten down the hatches."

EMI



Sir Colin Southgate, chairman of Royal Dutch Home and EMI

Share price relative to FTSE 100



Source: Datastream/ICV

Telewest placing postponed

By Vincent Boland

A £140m ($230m) placing of shares in Telewest Communications, the UK cable television group, was postponed yesterday after investors rejected the offer price, overshadowing the stock's debut in the FTSE 100 index of Britain's biggest companies.

Credit Suisse First Boston, underwriter for the placing of 100m Telewest shares, said the postponement was due to "market conditions". The FTSE 100 index closed down 65.3 points at 4,990.3 yesterday.

Bankers said CSFB had sought too high a price for the Telewest stake, which it was placing on behalf of Vivendi, the French utilities group. CSFB would not comment.

Other bankers said a successful placing could have been executed if the selling price had been 3 to 5 per cent lower than the 140p-a-share price the bank is understood to have asked. That represented a discount of about 11 per cent to Telewest's price in the market.

Last week a stake in Telewest owned by Southwestern Bell International was bought by MediaOne, a US cable operator, in a transaction that bankers said worked out at 133.7p per share.

Telewest shares closed yesterday at 155p, down 2p, but had earlier fallen to 142p because of the placing.

Telewest is controlled by other cable groups and its shares are illiquid, which would have been one factor in favour of the placing.

CSFB is believed to have begun an accelerated bookbuilding process for the placing on Friday at a price above 140p a share, but had been unable to close the transaction.

It returned to the market yesterday and bankers said the offer price had gradually been lowered to 140p.

It is believed neither Vivendi nor CSFB was prepared to sell the shares below that level.

COMMENT

Drugs pricing

The whiff of gunpowder as the UK government and the drugs industry start negotiating on prices suggests there will be no easy roll-over of a scheme that has suited big UK-based companies pretty well. Under the Pharmaceutical Price Regulation Scheme, the more research and manufacturing a company conducted in the UK, the more generous the rate of return allowed: as much as 26 per cent on capital employed in some circumstances. Although this has helped make the UK a benign base for drugs companies, the government may well see scope not only to tighten the regime but also to bring it into line with international peers.

The government should be able to clamp down on price rises by the back door when an old drug changes hands. But disallowing certain price rises points to the much bigger issue of whether the UK should adopt a system of price controls based on therapeutic benefit – as in France and Germany – or free pricing, as in the US. Since prices in state-funded European systems are lower than in the US, it makes more sense for the National Health Service to follow its European brethren.

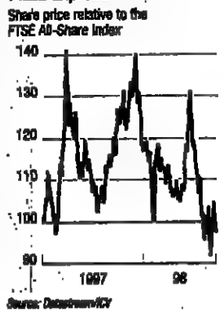
For drugs companies, the outcome would hardly be shocking. They are used to state-funded schemes being miserly on prices. Growth in their market lies partly in persuading health services to use more drugs for prevention and to avoid hospitalisation. But more tantalising is the market for lifestyle drugs, paid for by individuals.

UK restaurants

While other operators in the pubs and restaurants sector have warned of "diabolical" trading conditions, Pizza Express has seen steady progress in all areas of its business. Like-for-like sales growth of 9 per cent reflects more than consumers trading down to the sub-£20 a head sector. Steak-frites chain Pierre Victoire's demise earlier in the year showed that being cheap and cheerful is not enough to ensure success. All retail chains need a control freak at the centre ensuring value for money is offered consistently across the group. As the UK's share of food spending away from home rises from about 25 per cent to much-higher US levels, it will be groups with real purchasing economies – like Pizza Express – that are best set to prosper.

Pizza Express

Share price relative to the FTSE All-Share Index



Source: Datastream/ICV

PizzaExpress up 42%

By David Blackwell

PizzaExpress defied the gloom in the pubs and restaurant sector with a 42 per cent rise in profits last year.

The group, which is now adding Cafe Pasta pasta outlets to take advantage of another rapidly growing market, suffered a setback in like-for-like sales because of the World Cup football tournament. But David Page, chairman, said like-for-like sales in the first eight weeks of trading were 5 per cent ahead.

Pre-tax profits rose from £16.2m to £23m in the year to June 30, while sales jumped from £71.1m to £99.6m. A final dividend of 3.2p will lift the total to 4.25p (3.35p), to be paid from earnings per share of 27.2p (20.1p).

More Group buys in Decaux territory

By Andrew Edgecliffe-Johnson

More Group, the bus shelter and billboard group taken over by Clear Channel of the US in June, has made a further incursion into the home territory of its main rival, Decaux of France.

More, bought for £475m ($798m) after a bitter takeover battle between Clear Channel and Decaux, is spending FFr495m ($87m) to buy Sirocco, the French outdoor advertising subsidiary of Independent Newspapers.

Sirocco's 22,000 street furniture panels, while dwarfed by Decaux's 70,000 panels, will significantly increase More's presence in France. In 1997, More made just 7 per cent of its sales in France, after it won a contract to supply 1,400 panels on bus shelters and bicycle racks in Rennes.

Roger Parry, chief executive of More, said yesterday that Sirocco was not a direct competitor to Decaux, as the smaller group concentrates on towns with a population below 50,000 whereas Decaux targets larger cities.

He said the main advantage of buying Sirocco was that it would provide a platform for targeting similar-sized towns in Belgium, Italy, Spain and Germany.

Mr Parry said that because of the recent fall in stock markets, More might not have been able to buy Sirocco were it not for Clear Channel's takeover.

Sirocco made FFr10.5m in operating profits in the first half of 1998, and had net assets at June 30 of FFr199m.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Arcon	6 mths to June 30	4.06	(5.73)	3.63L	(0.923)	1.26L	(0.32)	-	-	-	-	-
Avocet Mining	Yr to Mar 31	30.1	(26)	10.9▲	(2.7L)	31.7L†	(8.4L)	-	-	-	-	-
Bemrose	6 mths to June 27	82.2	(73.5)	5.09	(3.01▲)	8.31	(4.74)	5.15	Nov 23	5.75	-	16.25
Caldwell Inns	6 mths to June 30	4.65	(5.24)	0.15L	(0.049)	1.02L†	(0.28)	0.425	Nov 11	0.425	-	1.225
Eurotunnel	6 mths to June 30	279	(230)	143▼	(323L▲)	11.2	(35.1L)	-	-	-	-	-
IS Solutions Φ	6 mths to June 30	4.2	(4.09)	0.404	(0.247)	5.68†	(6.6)	1.33	Oct 16	-	-	0.77
Jacks (William)	6 mths to July 31	86.5	(56▲)	1.49	(0.63)	8.66	(3.06)	1.75	Nov 13	1.25	-	3.5
Mayborn	6 mths to June 30	26.3	(24.5)	1.26	(2.44)	3.9	(7.4)	1.7	Nov 6	2.6	-	8
Moorfield Estates	6 mths to June 30	4.87	(4.1)	1.12	(0.935)	0.55	(0.53)	0.275	Nov 2	0.25	-	0.55
PizzaExpress	Yr to June 30	99.6	(71.1)	23	(16.2)	27.2	(20.1)	3.2	Nov 27	3.05	4.25	3.35
Policy Master Φ	6 mths to June 30	5.05	(3.96)	0.164▲	(0.204▲)	1.32	(1.85)	-	-	-	-	-
Rage Software	Yr to June 30	3.62	(6.75)	0.86▼	(15.4L)	0.35	(6.3L)	nil	-	nil	nil	nil
Ranoco Energy	6 mths to June 30	3.67	(3.08)	0.46	(0.379L)	1.28†	(1.84L)	-	-	-	-	nil
Roxboro	6 mths to June 30	59.3	(57.2)	8.96	(7.18▲)	10.8	(8.7)	2.6	Oct 28	2.4	-	7.3
Shoprite Group	28 wks to July 18	26.8	(23.5)	1.18	(1.07)	1.49	(1.36)	nil	nil	nil	nil	nil
Taylor Nelson	6 mths to June 30	159✕	(45)	9.36	(5.52)	1.8†	(1.7)	0.5	Dec 18	0.5	-	1
TDS Circuits Φ	6 mths to June 30	6.39	(7.67)	0.031	(0.41)	0.53L	(1.27)	-	-	-	-	-
TransTec	6 mths to June 30	209.4	(162.6)	10.9▼	(7.65)	4.3	(3.3)	0.95	Jan 11	0.85	-	2.7
Vanguard Medica	6 mths to June 30	0.061	(-)	9.93L	(9.94L)	32.1†	(41L)	-	-	-	-	-
VCI	6 mths to June 30	29.7	(44.9)	1.97L	(1.18)	4.1L	(2.4)	nil	-	2.4	-	7.9
Wellington Hldgs	6 mths to June 30	29.4	(31)	1.57	(2.93)	4.01	(8.52)	2.7	Nov 19	2.7	-	8.3

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Caingorm Dematual	50 wks to July 31	104.7	(-)	0.432	(-)	3.19	(-)	2.1	Oct 15	-	3	-
Kleinwort Dev Fund	Yr to July 31	812.5	(766.8)	1.52	(1.96)	25.06	(32.49)	20	Dec 8	20	25	25
Pacific Assets	6 mths to July 31	44.8	(126.4)	0.346	(0.503)	0.27	(0.39)	-	-	-	-	0.4

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ▲After exceptional charge. ▼After exceptional credit. †On increased capital. ΦAim stock. ✕Continuing activities. ◆Restated.

FIDELITY FUNDS
Société d'Investissement à Capital Variable
Kansallis House, Place de l'Etoile,
B.P. 2174, L-1021 Luxembourg
RC Luxembourg B 34036

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of Shareholders of Fidelity Funds ("the Fund") will be held at the registered office of the Fund in Luxembourg on Thursday 1st October 1998 at noon local time to consider the following agenda:

1. Presentation of the Report of the Board of Directors for the year ended 30th April 1998
2. Presentation of the Report of the Auditors for the year ended 30th April 1998
3. Approval of the balance sheet and income statement for the financial year ended 30th April 1998
4. Discharge of the Board of Directors
5. Election of eight (8) Directors, specifically the re-election of the following eight (8) present Directors: Messrs. Edward C. Johnson 3d, Barry R. J. Bateman, Jean Hamilius, Glen R. Moreno, Helmert Frans van den Hoven, Dr. David J. Saul, Sir Charles A. Fraser, and Fidelity Investments Luxembourg S.A.
6. Approval of the payment of Directors' fees for the period ended 30th April 1998
7. Approval of an increase in Director's fees paid 1st May 1998 to 30th April 1999
8. Election of the Auditors, specifically the election of PricewaterhouseCoopers, Luxembourg
9. Approval of the payment of dividends for the year ended 30th April 1998 and authorisation to the Board of Directors to declare further dividends in respect of the financial year ended 30th April 1998 if necessary to enable the Fund to qualify for distributor status' under United Kingdom and Irish tax laws
10. Consideration of such other business as may properly come before the meeting.

Subject to the limitations imposed by the Articles of Incorporation of the Fund with regard to ownership of shares by US persons or of shares which constitute in the aggregate more than three percent (3%) of the outstanding shares, each share is entitled to one vote. Shareholders are invited to attend and vote at the meeting or may appoint another person to attend and vote. Such proxy need not be a shareholder of the Fund.

Holders of Registered Shares may vote by proxy by returning to the registered office of the Fund the form of registered shareholder proxy sent to them.

Holders of Bearer Shares who wish to attend the Annual General Meeting or vote at the Meeting by proxy should contact the Fund, or one of the following institutions:

in Luxembourg

Fidelity Investments Luxembourg S.A.
Kansallis House
Place de l'Etoile, B.P. 2174
L-1021 LUXEMBOURG

Bankers Trust Luxembourg S.A.
14, bd. F.D. Roosevelt
L-2450 LUXEMBOURG

in the United Kingdom

Fidelity Investments International
Oakhill House
130 Tonbridge Road
Hildenborough
KENT TN 11 9DZ

in Norway

Oslo Finans As
P.O. Box 1543 Vika
N-0117 OSLO

in Ireland

Bradwell Limited
41-45 St. Stephen's Green
DUBLIN 2

in Sweden

Svenska Handelsbanken
Blasieholmstorg, 12
10670 STOCKHOLM

To be valid, proxies must reach the registered office of the Fund on the 28th September, 1998 at 11.00 (Luxembourg time) at the latest.

Dated: 28th July 1998
By Order of the Board of Directors

Fidelity Investments

Financial Times Surveys
Australia
Tuesday November 24
For further information please contact:
Jenny Middleton in London
Tel: +44 171 873 3794
Fax: +44 171 873 3204
or Brigette McAlinden in Hong Kong
Tel: +852 2905 5554
Fax: +852 2537 1211
FINANCIAL TIMES
No FT, no comment.

CREDIT LYONNAIS
USD 500,000,000.-
FRN Undated
Bondholders are hereby informed that the rate for the Coupon N° 29 has been fixed at 6.875%, for the period starting on 21 September 1998 until 20 December 1998 inclusive (representing a period of 91 days).
The coupon will be payable on 21 December 1998 at a price of USD 173.78.
The Principal Paying Agent
CREDIT LYONNAIS LUXEMBOURG S.A.

U.S. $75,000,000
Moscow Narodny Finance B.V.
Guaranteed Floating Rate Notes due 1998
Moscow Narodny Bank Limited
For the Interest Period from September 22, 1998 to December 22, 1998 the Rate has been determined as 6 5% per annum. The interest payable on the relevant interest payment date, December 22, 1998 will be U.S. $1,643 06 per U.S. $100,000 Note
By: The Chase Manhattan Bank
London, Agent Bank
September 22, 1998
CHASE

Cayman Financial Brokerage House
Forex, Futures, Options and Guaranteed Funds
Telephone +1 345 945 3100
Website www.cfbh.com.
Facsimile +1 345 945 3199
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هكذا من الأصل

EQUITIES

Europe takes another tumble

EUROPEAN OVERVIEW

By Philip Coggan, Markets Editor

More concerns about European profits, a sell-off in Asia and nervousness as the video of President Clinton's testimony was aired ensured that European markets had another bad day yesterday.

The FTSE Eurotop 100 index dropped 73.31 or 3.1 per cent to 2,271.06 while the broader Eurotop 300 index fell 34.51 or 3.4 per cent to 966.86.

The FTSE Ebloc 100 index, which comprises stocks based in the core single currency countries, suffered most of the three, falling 36.28 or 4.3 per cent to 806.6.

The profit warning from Philips sent shares in the Dutch electronics group down Ecu 7.7 to Ecu 37.05 while Alcatel, which warned last week, fell a further Ecu 6.9 to Ecu 77.44. The sector fell 5 per cent on the day.

But that was not the worst performing sector of the day. Construction claimed that tarnished crown, falling 9.1 per cent as Bouygues dropped Ecu 25.7 to Ecu 136.82 ahead of results released today.

A few sectors did manage to edge up, and the defensive utilities sectors outperformed the overall market again, as they have consistently since the world market correction began in mid-July.

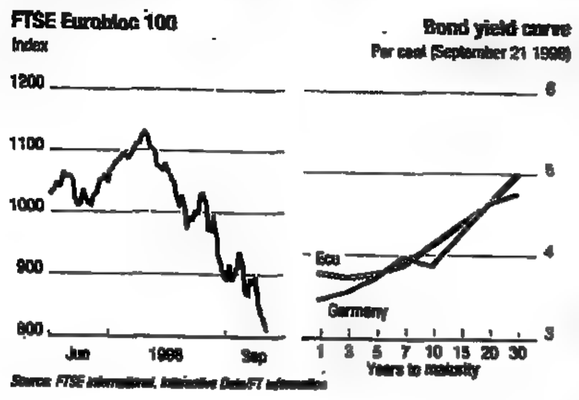
Some believe that European equity markets may have fallen far enough. "We believe the positives that have made Europe one of the most attractive equity environments in the world during the past two years are still intact," says the European strategy team at Goldman Sachs.

"Our favourite valuation models indicate that European equity markets in aggregate are selling at somewhere between fair value and a 15 per cent discount to fair value. We are currently looking for a broad rise in European equities over the next 12 months in the range 10 per cent to 15 per cent."

Figures published by BT Alex Brown showed that the market decline in August was not accompanied by heavy selling.

Trading volumes fell, as they usually do, in a holiday month. Domestic volumes (those recorded on local exchanges) fell 15.4 per cent and international volumes (those recorded on SEAQ International) 30.4 per cent.

FTSE Eurobloc 100 — Index / Bond yield curve — Per cent (September 21 1998)



Source: FTSE International, Interactive Data/FT Information

THREE MONTH EURO FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Nov		95.885	-			0	0
Mar	96.495	96.475	+0.020	96.495	96.485	28	5194
Jun	96.475	96.455	+0.025	96.475	96.475	19	1983
Sep		96.430	+0.040			0	1383

THREE MONTH EURO OPTIONS (LIFFE) Ecu1m points of 100%

Strike Price	CALLS Oct	Nov	Dec	Mar	PUTS Oct	Nov	Dec	Mar
96375	0.045		0.100		0.090		0.145	
96500	0.015	0.025	0.050	0.160	0.185	0.195	0.220	0.185

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 0 Puts 0

FTSE EUROTOP 100 INDEX FUTURES (LIFFE) Ecu20 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	2308.0	2265.0	-78.0	2308.0	2257.0	940	4429
Mar		2293.5	-78.0			0	117

EURO STYLE FTSE EUROTOP 100 INDEX OPTION (AEX) Ecu10 per index point

	2325 C	2325 P	2350 C	2350 P	2375 C	2375 P	2400 C	2400 P	2425 C	2425 P	2450 C	2450 P	2475 C	2475 P	2500 C	2500 P
Oct	-	-	139	121	107	131	84	143	83	157	72	171	81	186	58	206
Nov	-	-	176	167	161	178	147	190	136	202	120	215	112	229	100	243

Est. vol total 102. Prev day's open interest total 3,077. Premiums shown are based on settlement prices.

OTHER INDICES

	Sep 21	Sep 18	Sep 17	1998 High	1998 Low	Since compilation High	Since compilation Low
DJ Stoxx 50	2709.98	2821.30	2884.21	3870.82	2574.57	3870.82	2709.98
DJ Euro Stx 50	2558.27	2781.69	2820.22	3858.48	2468.81	3858.48	2558.27
MSCI Europe	(u)	1021.81	1037.94	1316.85*	980.50	1316.85	510.78

Source: Extel/part of FT Information. *Subject to revision next day. (u) unavailable.

FTSE Actuaries Share Indices — European series

Produced in conjunction with the Faculty and Institute of Actuaries

September 21 National & Regional Markets	Euro Index	Day's %	change points	Yield gross %	xd adj ytd	Total retn (Ecu)
FTSE Eurotop 300	966.86	-3.38	-34.51	2.83	23.01	1013.78
FTSE Eurotop 100	2271.06	-3.13	-73.31	2.84	34.84	812.24
FTSE Ebloc 100	806.60	-4.30	-36.28	2.50	14.09	817.88
FTSE Eurotop 300 Regions						
Eurobloc	1019.35	-4.24	-45.08	2.48	20.54	1048.12
UK	939.79	-1.54	-14.70	3.36	28.97	981.41
Europe Ex-Eurobloc	983.09	-2.48	-24.50	3.18	24.45	983.79
Europe Ex-UK	1014.59	-4.39	-45.62	2.36	16.11	1032.77
FTSE Eurotop Industry Sectors						
RESOURCES	815.07	-0.73	-5.98	3.55	25.78	848.93
Extractive Industries	698.55	-2.70	-19.38	5.91	14.54	713.30
Oil, Integrated	789.19	-0.64	-5.10	3.49	18.25	804.01
GENERAL INDUSTRIES	886.56	-4.01	-36.98	3.11	19.82	902.92
Construction	791.52	-9.08	-78.01	3.53	11.06	800.72
Building Matls & Merchs	744.63	-3.85	-29.80	3.01	8.96	751.06
Chemicals	762.87	-3.76	-29.79	3.17	16.87	775.77
Diversified Industrials	870.55	-2.87	-25.75	2.49	17.40	885.46
Electronic & Elect Equip	688.33	-5.02	-36.42	2.30	4.60	692.66
Engineering	758.11	-2.49	-19.34	4.36	10.88	766.29
Paper, Pckg & Printing	668.10	-4.01	-27.93	3.51	1.21	668.93
CONSUMER GOODS	1016.47	-2.83	-30.66	1.79	15.69	1041.63
Automobiles	781.93	-5.27	-43.49	3.34	10.25	789.18
Alcoholic Beverages	741.80	-4.20	-32.46	2.94	8.48	746.16
Food Producers	811.87	-2.39	-19.88	1.84	8.79	819.65
Household Goods & Texts	838.25	-5.27	-46.66	2.31	7.01	844.73
Healthcare	829.42	+3.08	+24.79	1.43	9.92	837.65
Pharmaceuticals	927.82	-2.92	-27.89	1.40	4.81	932.39
Tobacco	1114.73	+0.37	+4.08	4.31	5.81	1120.86
SERVICES	1031.88	-3.32	-35.46	2.43	21.38	1058.10
Distribution	685.93	-6.67	-41.81	3.13	11.37	703.74
Leisure & Hotels	654.40	+1.49	+9.64	3.82	12.27	662.06
Media	923.51	-1.57	-14.71	2.58	10.38	933.08
Retailers, Food	951.27	-2.52	-24.50	3.01	11.27	962.39
Retailers, General	908.91	-3.69	-33.97	3.78	16.53	923.72
Telecommunications	929.88	-4.72	-46.10	2.06	13.02	940.96
Breweries, Pubs & Rest	888.73	+0.65	+4.45	3.92	14.20	899.20
Support Services	828.57	-2.07	-17.53	1.71	8.05	835.56
Transport	864.99	-3.26	-28.78	2.87	15.00	867.71
Information Technology	856.75	-3.81	-33.94	0.42	2.23	858.70
UTILITIES	1348.86	-1.89	-23.87	3.12	53.32	1418.91
Electricity	1015.90	-1.38	-14.20	3.44	28.23	1043.04
Gas Distribution	1048.63	-0.99	-10.49	1.73	84.81	1145.21
Water	1059.43	-1.89	-21.49	4.81	38.72	1098.89
FINANCIALS	1008.32	-4.33	-45.61	3.34	26.69	1034.64
Banks, Retail	859.72	-4.83	-33.49	4.42	12.59	868.61
Insurance	783.45	-4.19	-34.99	1.75	11.45	802.71
Life Insurance	915.47	-3.99	-38.03	2.19	11.18	925.35
Other Financial	722.12	-3.72	-27.88	2.82	15.96	734.18
Investment Companies	829.67	+1.62	+13.27	3.08	20.88	845.18
Property	757.90	+0.59	+4.47	3.28	16.01	771.42

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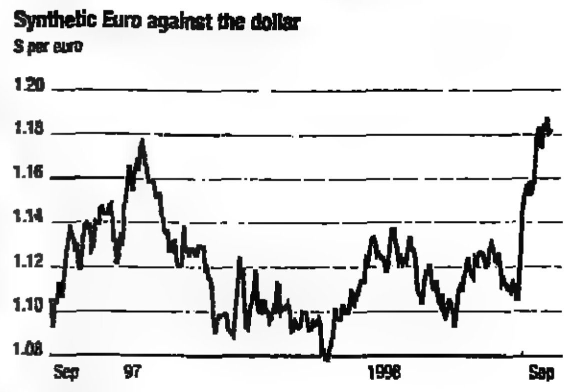
CURRENCIES & MONEY

FT SYNTHETIC EURO RATES

Sep 21	Currency code	Closing mid point	Change on day	Change on day%	Change on week	Change week %
Europe						
Austria	ATS	14.059980	+0.0024	+0.02	-0.0034	+0.09
Belgium	BEF	41.211437	-0.0092	-0.02	-0.0191	-0.05
Czech Republic	CZK	35.658007	-0.0075	+0.02	+0.8189	+2.28
Denmark	DKK	7.622150	+0.0045	+0.06	+0.0149	+0.20
Finland	FIM	6.084396	-0.0009	-0.01	+0.0006	+0.01
France	FRF	6.700028	+0.0018	+0.02	-0.0003	+0.01
Germany	DEM	1.998166	+0.0003	+0.02	-0.0001	-0.01
Greece	GRD	345.326734	+1.9439	-0.57	+2.7107	+0.79
Hungary	HUF	280.072749	+0.4775	+0.18	+1.3962	+0.54
Ireland	IEP	0.798981	+0.0004	+0.05	+0.0005	+0.07
Italy	ITL	1974.059046	-0.2713	-0.01	+0.7651	+0.04
Luxembourg	LUF	41.211437	-0.0092	-0.02	-0.0191	-0.05
Netherlands	NLG	2.253133	-0.0001	+0.00	-0.0007	-0.03
Norway	NOK	8.891044	+0.0341	+0.38	+0.0032	+0.04
Poland	PLN	4.272200	+0.0261	+0.62	-0.0641	-1.52
Portugal	PTE	204.792446	+0.0360	+0.02	-0.0110	-0.01
Romania	ROL	10759.174008	+40.6401	+0.38	+125.9380	+1.18
Russia	RUB	23.305605	+0.8645	+3.85	13.3737	-132.31
Slovakia	SKK	41.230437	+0.1976	+0.48	+0.2627	+0.64
Spain	ESP	168.641060	-0.1311	-0.08	-0.0693	-0.04
Sweden	SEK	9.424728	+0.1629	+1.76	+0.1827	+1.98
Switzerland	CHF	1.643209	-0.0002	-0.01	-0.0045	-0.27
United Kingdom	GBP	0.705284	+0.0043	+0.61	+0.0055	+0.79
ECU	ECU	1.017490	+0.0008	+0.08	+0.0007	+0.07
Americas						
Brazil	BRL	1.402968	+0.0083	+0.60	+0.0188	+1.36
Canada	CAD	1.810415	+0.0051	+0.28	+0.0327	+1.84
Mexico	MXN	12.243606	+0.2347	+1.95	-0.1173	-0.95
United States	USD	1.187547	+0.0064	+0.55	+0.0142	+1.21
Pacific/Middle East/Africa						
Australia	AUD	2.025717	+0.0236	+1.18	+0.0539	+2.74
Hong Kong	HKD	9.201113	+0.0511	+0.56	+0.1131	+1.24
Japan	JPY	158.454370	+1.5740	+1.00	+2.3379	+1.50
Singapore	SGD	2.058612	+0.0242	+1.19	+0.0241	+1.18
South Africa	ZAR	7.273130	+0.0182	+0.25	-0.0308	-0.42

Source: FTSE International Ltd. This table gives a theoretic, synthetic value for the Euro against various other currencies, calculated by applying GDP weights to Euro "in" currencies. The Euro will not exist until January 1 and the table should not be used as a precise guide to its value. It is designed to show broad currency valuation trends. Currency weightings as follows: DEM 0.3364, FRF 0.2217, ITL 0.1823, NLG 0.0577, BEF 0.0365, ESP 0.0848, IEP 0.0115, PTE 0.0155, ATS 0.0322, FIM 0.0187

Synthetic Euro against the dollar — $ per euro



Source: FTSE International

EUROZONE CURRENCY CONVERGENCE

Bilateral conversion rates against the D-Mark

Sep 21	Fixed rate	Market rate	Diff fwd v mkt %	Week ago %	Forward rate	Forward int rate	Diff int rate v DEM
Austria	7.03552	7.0364	+0.01	+0.01	7.0076	3.54	+0.06
Belgium	20.6255	20.6246	+0.00	+0.04	20.6277	3.53	+0.05
France	3.35386	3.3531	-0.02	-0.03	3.3536	3.53	+0.05
Finland	3.04001	3.045	+0.16	-0.15	3.0454	3.53	+0.05
Ireland	0.402676	0.3998	-0.71	-0.78	0.402	5.46	+2.00
Italy	990.002	987.9353	-0.21	-0.25	981.7629	[illegible]	+1.41
Luxembourg	20.6255	20.6246	+0.00	+0.04	20.62773	3.53	+0.05
Netherlands	1.12674	1.1276	+0.08	+0.10	1.1273	3.38	-0.10
Portugal	102.505	102.4902	-0.01	-0.02	102.6714	4.12	+0.64
Spain	85.0722	84.8984	-0.20	-0.17	85.0813	4.3	+0.82
Germany	1		-0.00	+0.00		3.48	+0.00

Source: The WM Company. Fixed rates are bilateral rates agreed by EU May 2-3, forward rates are exchange rates to 31.12.98 interpolated from market quotes, forward interest rates are those implied by these forward exchange rates. Diff int rates v DEM are differences between implied forward interest rates and the DEM forward interest rate for 31/12/98. DEM forward interest rate for 31.12.98 is calculated by interpolation between published BBA market fixings.

BONDS

INTEREST RATE SWAPS

Sep 21	D-Mark Ask	D-Mark Bid	Ecu Ask	Ecu Bid	£ Stlg Ask	£ Stlg Bid	US $ Ask	US $ Bid	Yen Ask	Yen Bid
1 year	3.64	3.61	3.85	3.81	7.01	6.98	5.22	5.19	0.47	0.44
2 year	3.705	3.675	3.83	3.79	6.54	6.5	5.12	5.09	0.59	0.56
3 year	3.81	3.78	3.9	3.86	6.39	6.35	5.14	5.11	0.74	0.71
4 year	3.935	3.905	4	3.96	6.32	6.28	5.19	5.16	0.86	0.83
5 year	4.045	4.015	4.095	4.055	6.24	6.2	5.26	5.23	0.96	0.93
6 year	4.155	4.125	4.2	4.16	6.14	6.1	5.32	5.29	1.05	1.02
7 year	4.265	4.235	4.305	4.265	6.06	6.02	5.37	5.34	1.15	1.12
8 year	4.375	4.345	4.41	4.37	5.98	5.94	5.42	5.39	1.23	1.2
9 year	4.47	4.44	4.505	4.465	5.94	5.9	5.48	5.45	1.32	1.29
10 year	4.55	4.52	4.58	4.54	5.92	5.88	5.5	5.47	1.39	1.36
12 year	4.69	4.66	4.715	4.655	5.91	5.85	5.55	5.52	1.56	1.52
15 year	4.86	4.83	4.865	4.835	5.9	5.83	5.67	5.64	1.76	1.72
20 year	5.04	5.01	5.055	5.005	5.88	5.81	5.76	5.73	1.95	1.91
25 year	5.13	5.1	5.165	5.115	5.86	5.79	5.82	5.79	2.05	2
30 year	5.2	5.17	5.225	5.175	5.85	5.78	5.89	5.86	2.13	2.08

Mid rates as of close of London business. D-mark and Ecu quoted on annual bond basis. £, $ and Yen quoted on a semi-annual actual/365 basis. Source: Intercapital Brokers Ltd.

EUROZONE CORPORATE BONDS

Sep 21	Red date	Coupon	S & P Rating	Bid price	Bid yld	Day's chge yld	Mth's chge yld	Spread v Ecu
Sovereign Fungible issues								
Belgium (Kingdom of)	03/08	5.750	N/A	111.850	4.21	-0.08	-0.30	+0.08
France (Rep of)	04/08	5.250	N/A	109.330	4.05	-0.06	-0.33	-0.08
Italy (Rep of)	05/08	5.000	[illegible]	104.813	4.38	-0.03	-0.19	+0.25
Portugal (Rep of)	08/08	5.375	AA-	108.270	4.32	-0.05	-0.24	+0.19
Euro issues								
Abbey Natl Treas Srv	02/03	4.875	AA	103.478	3.99	-0.07	-0.17	+0.21
Gen Electric Cap Crp	10/04	5.500	AAA	107.640	4.05	+0.03	-0.17	+0.24
Oest Kontrollbank	04/03	5.250	AAA	106.920	4.35	-0.05	-0.19	+0.22
Cred Local de France	04/08	5.250	AA+	104.094	4.59	-0.01	-0.14	+0.46
Ecu issues								
Bayer Hypo & Wch Bk	07/01	5.000	AA-	102.577	4.00	-0.01	-0.03	+0.27
Cred Foncier France	03/04	8.375	[illegible]	118.625	4.46	-0.08	-0.32	+0.05
Euro Inv Bank	04/04	5.250	AAA	106.709	[illegible]	-0.08	-0.29	+0.07
ABN Amro Hldg. NV	04/07	6.375	AA-	111.290	4.74	-0.06	-0.06	+0.68

Source: Interactive Data/FT Information. London closing. Fungible bonds issued in tranches by Euro "in" sovereigns and fungible into one big Euro issue 1/1/99. Euro issues are issued in the new currency. Ecu bonds are issued in Ecus but convert to Euros 1:1.

GOVERNMENT BOND SPREADS vs ECU

Sep 21	2 yrs	5 yrs	7 yrs	10 yrs	20 yrs	30 yrs
"Ins"						
Austria	+0.01	+0.14	+0.10	+0.05	-0.17	+0.13
Belgium	-0.05	+0.10	+0.14	+0.10	+0.13	+0.04
Finland	-0.29	+0.12	+0.20	-0.23	-0.27	-0.83
France	-0.10	-0.09	-0.19	-0.06	-0.02	-0.18
Germany	-0.17	-0.05	+0.10	-0.25	+0.01	-0.23
Ireland	-0.44	-0.04	+0.06	+0.19	+0.25	-0.44
Italy	-0.25	-0.30	+0.35	+0.30	+0.24	+0.33
Luxembourg	-0.05	+0.10	+0.14	+0.10	+0.13	+0.04
Netherlands	-0.13	+0.04	+0.06	-0.07	+0.01	-0.17
Portugal	+0.01	+0.25	+0.28	+0.24	+0.48	+0.35
Spain	-0.07	+0.16	+0.20	+0.32	+0.33	+0.29
"Outs"						
Denmark	+1.76	+1.14	+1.07	+0.74	+0.48	+0.95
Greece	+8.22	+5.76	+5.03	+4.15	+3.15	+2.75
Sweden	+0.75	+0.87	+0.87	+0.77	+0.77	+0.41
UK	+2.17	+1.40	+1.21	+0.88	+0.27	-0.33

Source: Interactive Data/FT Information. Table takes constant convention constant maturity treasury yield curves for each currency and compares to the constant maturity Ecu curve to calculate a spread.

EUROZONE CREDIT SPREADS vs ECU

Sep 21	S & P rating	Red date	Coupn	Currency code	Spread	Spread wk ago	Spread mth ago
KFW	AAA	01/09	5.000	DEM	+0.10	+0.04	+0.06
France Telecom	AA+	11/05	6.250	FRF	+0.20	+0.20	+0.15
Halifax	AA	07/07	5.625	DEM	+0.45	+0.33	+0.35
Ing Bank NV	AA-	01/08	5.500	NLG	+0.14	+0.16	+0.22
Bayer Hypo W Bk	AA-	02/02	6.750	ITL	+0.35	+0.29	+0.38
Cred Foncier	A	02/03	7.250	DEM	+0.76	+0.56	+0.47
Thomson-Brandt Int	A-	03/04	8.375	FRF	+0.42	+0.40	+0.40
Generale des Eaux	BBB+	03/04	6.250	FIM	+0.36	+0.34	+0.31
Bank of China	BBB	07/99	7.125	DEM	+2.72	+3.29	[illegible]
Natl Bk of Hungary	BBB-	06/01	9.000	ATS	+1.77	[illegible]	+1.19
Korea Dev Bank	BB+	11/02	5.625	FRF	+8.81	+10.40	+7.87
Argentina	[illegible]	04/08	8.125	XEU	+7.98	+8.36	+5.48

Source: Interactive Data/FT Information. Table shows yield spreads to the Ecu curve for issues of a broadly representative credit in each rating band denominated in Euro "in" currencies.

FTSE EUROTOP 300

Columns: Name | Price (Ecu) | Chge +or- | Mkt cap Ecu(bn) | Vol (m) | Yld

ALCOHOLIC BEVERAGES

Name	Price (Ecu)	Chge +or-	Mkt cap Ecu(bn)	Vol (m)	Yld
Allied-Dom	5.69	-3	5.9	2.9	6.3
Carlsberg A	53.50	-1.3	1.9	-	0.0
Carlsberg B	53.69	-2.4	1.5	-	0.8
Diageo	7.35	-4	26.4	4.3	4.4
Heineken	30.81	-1.4	15.8	1.7	0.8
LVMH	128.89	-3.7	11.8	0.2	2.6

AUTOMOBILES

Name	Price (Ecu)	Chge +or-	Mkt cap Ecu(bn)	Vol (m)	Yld
BMW	594.35	-40.8	13.0	-	1.6
Daimler Benz	73.52	-2.8	41.2	0.7	1.1
Fiat	2.39	-.1	11.9	24.8	2.5
Peugeot	137.43	-8.0	6.6	0.4	0.5
Renault	30.82	-4.8	6.8	1.9	1.5
Volkswagen	64.74	-4.9	20.8	0.4	1.7
Volvo A	20.63	-2	2.9	0.3	2.8
Volvo B	21.17	-3	6.4	1.8	2.8

BANKS RETAIL

Name	Price (Ecu)	Chge +or-	Mkt cap Ecu(bn)	Vol (m)	Yld
ABN Amro	18.36	-1.0	21.8	8.4	3.2
Abbey Natl	16.03	-3	22.7	2.3	3.6
Alliance & L	12.18	-	7.1	1.8	3.3
Allied Irish	11.08	-.4	9.6	-	2.2
Almanij	63.36	-8.3	13.9	0.2	1.9
Argentaria	18.19	-1.5	7.9	1.6	1.8
Banca Comm	4.38	-.3	7.8	7.8	3.8
Ban Fideuram	3.65	-.4	6.5	1.8	1.6
Banca Intesa	3.79	-.7	6.8	10.4	0.7
Banca di Roma	1.34	-.1	7.2	21.8	-
Banco Bilbao	7.99	-.6	16.8	8.4	2.4
Banco Hispano	7.46	-.6	8.2	3.6	1.3
Banco Comercial	26.19	-1.2	4.1	-	1.8
Banco Popular	57.14	-3.1	6.3	0.5	2.3
Banco de San	12.80	-.8	13.9	4.8	2.4
Bank Austria	38.45	-1.7	3.2	0.6	2.6
Bank of Irel	16.83	-.3	7.0	-	2.2
Bank Scot	8.21	-	10.1	2.9	2.3
BNP	60.11	-2.1	10.0	0.8	2.1
Barclays	15.34	-1.1	22.0	3.7	4.0
Bay Hypo Ver	53.86	-0.6	25.6	0.3	1.3
Commerzbank	23.53	-.3	11.9	0.7	3.1
CCF	53.76	-1.2	3.9	0.3	1.9
CS Group (Fr	108.90	-10.6	28.7	1.9	2.8
Credito Ital	3.58	-.2	10.2	3.8	1.2
Danske Bank	92.20	-8.3	4.9	0.1	2.8
Deutsche Ban	48.16	-2.8	28.7	1.8	1.8
Dresdner Ban	35.17	-.7	18.8	8.4	2.2
ForeningsSpa	20.39	-.9	7.1	1.3	3.2
HSBC (75p)	15.01	-.6	13.3	3.2	6.3
HSBC (HK$10)	14.32	-.7	35.9	1.7	6.6
Halifax	10.30	-.3	25.4	2.2	4.2
ING Holdings	38.26	-1.6	17.6	0.2	-
Lloyds TSB	9.55	-.3	51.9	7.1	3.5
Mediobanca	7.88	-.6	4.6	2.8	1.2
Merita A	3.65	-.3	3.9	3.6	4.3
Nat West	12.22	-.3	20.9	2.5	6.0
Nordbanken H	4.45	-.2	5.6	4.7	3.7
Paribas	63.13	-3.1	8.8	0.8	-
Rolo Banca	16.29	-1.3	7.1	0.3	1.8
Ryl Bk Scot	10.02	-.2	8.8	1.2	4.0
San Paolo	9.42	-.6	7.7	1.9	0.8
S-E-Banken A	6.53	-.3	4.6	1.8	3.8
Soc Generale	108.42	-4.4	11.1	0.6	2.8
Stand Chart	5.41	-.2	5.4	3.4	6.5
Sv Handelsb	30.79	-1.3	7.3	0.3	2.3
UBS AG (Reg)	223.56	-16.3	57.2	1.8	2.6
Woolwich	4.91	-	7.8	4.4	3.7

BREWERIES, PUBS & RESTAURANTS

Name	Price (Ecu)	Chge +or-	Mkt cap Ecu(bn)	Vol (m)	Yld
Bass	9.76	-.1	7.0	1.3	-
Compass	7.97	+.1	5.3	0.6	1.1
Scot & New	10.07	+.1	6.2	3.4	4.2
Whitbread	10.32	+.2	5.1	0.9	4.5

BUILDING MATERIALS & MERCHANTS

Name	Price (Ecu)	Chge +or-	Mkt cap Ecu(bn)	Vol (m)	Yld
CRH	16.10	-.5	3.6	-	1.5
Hanson	5.13	-.1	3.3	1.8	4.2
Heidelb Zem	56.04	-5.1	2.4	-	1.0
Holderbank B	736.32	-51.0	4.0	-	1.6
Lafarge	80.85	-2.8	7.2	0.3	2.4
Saint Gobain	114.04	-4.4	10.3	0.2	2.5

CHEMICALS

Name	Price (Ecu)	Chge +or-	Mkt cap Ecu(bn)	Vol (m)	Yld
AGA A	11.23	-.6	1.5	0.2	2.9
AGA B	10.61	-.5	1.2	0.4	3.0
Air Liquide	123	-3.8	10.2	0.2	1.7
Akzo	29.37	-2.8	8.4	2.9	3.3
BASF	31.34	-.8	19.6	4.8	3.3
BOC	10.97	-	5.4	0.9	4.6
Bayer	31.76	-.8	23.2	0.7	3.1
Ciba Spec Ch	63.16	-4.9	4.5	3.5	-
Hoechst	35.43	-1.7	20.6	0.2	2.2
ICI	7.22	-	5.2	2.8	6.4
Solvay	53.63	-3.2	4.7	0.1	2.7
UCB	4,305.36	-180.5	6.0	-	0.6

CONSTRUCTION

Name	Price (Ecu)	Chge +or-	Mkt cap Ecu(bn)	Vol (m)	Yld
Bouygues	136.82	-25.7	3.6	0.1	1.8
[illegible] B	39.80	+.3	2.6	0.2	3.4

DISTRIBUTORS

Name	Price (Ecu)	Chge +or-	Mkt cap Ecu(bn)	Vol (m)	Yld
Adidas Salom	78.76	-4.3	3.9	0.7	1.8
GEHE	38.73	-2.2	3.8	0.1	1.9
[illegible]	72.80	-4.0	3.6	-	1.2

DIVERSIFIED INDUSTRIALS

Name	Price (Ecu)	Chge +or-	Mkt cap Ecu(bn)	Vol (m)	Yld
[illegible] A	7.46	-.2	2.5	0.1	2.8
Investor B	33.43	-.4	3.8	0.4	3.2
Investor A	31.86	-1.2	2.5	-	3.4
Montedison	0.96	-	4.8	44.6	2.4
RWE	40.41	-.8	24.6	0.2	1.3
Suez-Lyon de	150.79	-8.1	22.6	0.7	1.5
Tomkins	3.41	-	4.8	1.5	5.4
Veba	47.99	-4.1	23.6	0.2	2.3
Vivendi	170.04	-7.6	20.8	0.6	1.3

ELECTRICITY

Name	Price (Ecu)	Chge +or-	Mkt cap Ecu(bn)	Vol (m)	Yld
Br Energy	8.49	-	6.0	0.2	3.2
Edison	7.09	-.5	4.6	1.8	1.6
Electrabel	211.24	-8.4	17.0	0.1	2.8
Elect de Por	28.73	-1.4	6.7	-	2.8
Endesa	18.65	-.8	17.2	4.7	1.8
Iberdrola	13.01	-.2	12.5	4.8	2.4
Natl Grid	6.33	-	8.3	2.9	3.4
Natl Power	8.05	-	10.0	3.3	0.0
PowerGen	12.48	+.2	8.1	2.4	4.2
Scot Power	8.87	-	10.4	3.3	4.2
Southern El	8.16	-	4.4	2.9	4.7
Tractebel	138.36	-5.6	11.5	0.1	1.8

ELECTRONIC & ELECTRICAL EQPT.

Name	Price (Ecu)	Chge +or-	Mkt cap Ecu(bn)	Vol (m)	Yld
ABB A	7.51	-.5	7.0	0.7	3.0
ABB (Br)	224.12	-73.8	7.5	0.1	3.5
Alcatel SA	77.44	-8.8	16.4	4.3	2.3
Alstom	17.02	-	3.6	1.1	-
Ericsson B	16.21	+.2	31.0	0.8	1.2
GEC	5.83	-	16.2	4.6	3.5
Lagardere	27.16	-1.2	3.3	0.4	2.5
[illegible]	41.72	+.7	3.8	-	1.7
Legrand	168.38	+0.8	8.1	0.1	0.7
Nokia A	81.41	-2.4	36.9	1.8	1.0
Philips	37.05	-7.7	12.8	0.2	2.4
Schneider	41.75	-	6.4	0.6	2.4
Siemens	49.29	-6.0	28.6	0.9	1.7

ENGINEERING

Name	Price (Ecu)	Chge +or-	Mkt cap Ecu(bn)	Vol (m)	Yld
Atlas Copco A	18.95	-.2	2.1	0.4	2.7
Atlas Copco B	16.74	-.8	1.0	0.7	2.7
BTR	1.57	-.1	6.2	11.5	8.8
Brit Aero	5.12	-.1	4.4	5.7	1.9
Br Steel	1.39	-	2.8	5.5	13.0
Degussa	40.14	-4.0	3.2	0.1	1.9
GKN	8.55	-	6.1	1.9	2.6
Linde	499.86	-4.6	4.3	-	2.0
LucasVarity	2.75	-	3.9	9.2	3.2
MAN	270.81	-8.8	4.0	-	2.6
Mannesmann	76.29	-0.7	27.3	0.4	0.7
Michelin B	33.94	-.3	4.9	0.4	1.7
Pirelli Spa	2.39	-.1	4.4	9.2	2.7
Preussag	260.29	-6.8	4.7	-	2.3
Sandvik A	16.52	-.1	4.3	0.2	4.8
Scania A	15.06	-.6	1.6	0.4	3.7
Scania B	15.77	-1.1	1.9	0.5	3.8
[illegible]	2.68	-	5.5	4.8	2.2
Smiths Ind	10.25	-.1	3.7	3.2	3.2
TI	4.55	-.2	2.3	1.8	5.2
Thomson CSF	28.55	-4.7	4.8	0.2	1.9
Thyssen	160.90	-.2	6.6	-	3.2
[illegible]	697.27	-4.9	16.2	-	1.2
Valeo	60.13	-1.2	5.0	0.4	1.8

EXTRACTIVE INDUSTRIES

Name	Price (Ecu)	Chge +or-	Mkt cap Ecu(bn)	Vol (m)	Yld
Billiton	1.65	-	3.5	1.8	5.4
Rio Tinto	9.40	-.3	10.1	4.8	4.8

FOOD PRODUCERS

Name	Price (Ecu)	Chge +or-	Mkt cap Ecu(bn)	Vol (m)	Yld
A B Foods	7.92	+.4	7.1	1.5	2.3
Cadbury Schw	11.91	-	12.1	3.8	2.2
Danisco	54.12	-2.1	3.3	0.1	1.5
Danone	240.53	-4.8	17.8	0.4	1.2
Eridania B-S	163.65	-4.7	4.3	-	3.2
Nestle R	1,606.11	-61.2	63.5	0.1	1.4
Unilever NV	48.35	-2.9	33.8	3.2	2.1
Unilever	8.64	-.3	21.6	10.6	2.3

GAS DISTRIBUTION

Name	Price (Ecu)	Chge +or-	Mkt cap Ecu(bn)	Vol (m)	Yld
BG	5.44	-	21.4	4.8	2.8
Centrica	1.39	-	6.7	8.5	-
Gas Natural	67.56	-3.6	8.6	0.3	0.5

HEALTH CARE

Name	Price (Ecu)	Chge +or-	Mkt cap Ecu(bn)	Vol (m)	Yld
Nycomed Amer	5.34	+.2	3.3	0.7	1.4

HOUSEHOLD GOODS & TEXTILES

Name	Price (Ecu)	Chge +or-	Mkt cap Ecu(bn)	Vol (m)	Yld
Beiersdorf	47.38	-.8	4.8	-	1.2
Christian Di	71.27	-2.8	3.2	0.7	1.5
Electrolux B	10.25	-.5	3.7	3.5	2.6
Henkel Pf	69.54	-3.0	4.5	0.3	1.1
L'Oreal	409.54	-20.4	27.7	0.2	0.6
Reckitt & C	12.41	-.3	5.1	0.4	2.9
Swatch Br	501.91	-15.2	1.8	-	1.2
Swatch Reg	123.52	-2.7	1.5	-	1.8

INFORMATION TECHNOLOGY

Name	Price (Ecu)	Chge +or-	Mkt cap Ecu(bn)	Vol (m)	Yld
[illegible]	22.53	-	4.5	1.9	-
Cap Gemini	143.30	-8.2	7.3	0.4	0.5
Misys PLC	7.22	-	4.0	-	-
SAP (Pref)	387.37	-8.1	17.0	0.1	0.4
SAP	398.16	-	21.8	-	0.4
Sema Gp	8.30	-	3.8	2.3	0.4

INSURANCE

Name	Price (Ecu)	Chge +or-	Mkt cap Ecu(bn)	Vol (m)	Yld
Aegon	84.08	-4.0	28.1	1.1	1.0
Aachen Mch	138.90	-.8	7.1	-	0.0
Allianz	259.38	-7.8	60.3	0.1	0.4
Allied Zurich	9.30	-.3	14.7	9.3	-
AGF	40.88	-4.6	8.6	0.6	1.8
Baloise (Reg)	287.39	-91.1	3.3	-	4.5
CGU	12.99	-.2	16.4	[illegible]	3.9
Ergo Versich	130.00	-8.0	10.8	-	0.5
Fortis AG	217.37	-8.0	17.6	0.2	1.3
Fortis Amev	48.59	-	8.1	1.3	2.3
Generali	29.63	-4.3	26.1	0.6	0.6
GRE	3.89	-.1	3.2	2.7	5.5
INA	41.83	-4.0	20.2	10.6	2.9
Munich Reinsch	300.79	-32.8	28.8	-	0.3
Ras	8.05	-.3	4.6	1.3	2.8
Royal Sun Al	6.77	+.2	10.6	5.6	5.0
Skandia	9.16	-.6	4.7	2.8	0.0
Swiss Re R	1,772.17	-108.5	25.9	0.1	1.5
Zurich Allo	453.88	-18.8	22.0	0.2	-

INVESTMENT COMPANIES

Name	Price (Ecu)	Chge +or-	Mkt cap Ecu(bn)	Vol (m)	Yld
3i Group	7.01	+.2	4.2	0.8	2.6
GBL	143.82	-.3	3.6	-	2.7

LEISURE & HOTELS

Name	Price (Ecu)	Chge +or-	Mkt cap Ecu(bn)	Vol (m)	Yld
Accor	177.80	+6.8	6.4	0.2	1.7
Granada	10.38	+.2	9.4	2.8	2.6
Ladbroke	3.10	-.1	3.7	2.8	3.3
Rank Group	2.45	-	2.7	2.7	9.0

LIFE INSURANCE

Name	Price (Ecu)	Chge +or-	Mkt cap Ecu(bn)	Vol (m)	Yld
[illegible]	38.58	-4.8	28.8	2.8	1.4
Alleanza Ass	8.63	-.2	7.5	2.5	0.0
[illegible]	2.86	-.1	8.2	14.5	1.8
Legal & Gen	9.80	-.1	12.6	2.7	2.4
Norwich Un	6.35	-	12.2	[illegible]	3.4
Prudential	11.85	-1	23.8	2.8	2.4
Sun Life & P	7.59	-	6.1	0.2	2.8

MEDIA

Name	Price (Ecu)	Chge +or-	Mkt cap Ecu(bn)	Vol (m)	Yld
B Sky B	7.22	+.1	12.4	1.7	1.5
Canal Plus	190.78	-4.7	6.1	0.1	1.0
Carlton C	5.58	-	3.4	5.8	4.2
EMI	4.83	-.9	3.8	5.9	4.8
Elsevier	12.20	-.6	8.1	2.7	2.8
Mediaset	5.38	-	6.3	3.9	2.2
Pearson	14.60	-.5	8.9	1.7	2.5
Polygram	40.00	-4.4	6.7	0.8	0.9
Reed Intl	7.20	+.1	8.3	0.5	3.7
Reuters	7.45	+.2	10.6	5.9	3.2
Utd News	8.98	-	4.9	0.9	4.2
VNU NV	30.65	-	5.9	1.0	1.0
WPP	4.30	-	3.3	1.5	0.8
Wolters Kluw	182.46	-8.4	18.4	0.7	0.5

OIL, INTEGRATED

Name	Price (Ecu)	Chge +or-	Mkt cap Ecu(bn)	Vol (m)	Yld
BP	11.55	+.1	72.0	10.0	3.5
ENI	4.65	-.2	38.9	28.7	3.8
Norsk Hydro	32.29	-1.3	3.4	0.4	2.8
Petrofina	295.90	-8.8	8.8	-	2.5
Repsol	38.27	-1.5	10.9	2.0	2.5
Royal Dutch	39.89	-.8	85.9	8.6	[illegible]
Shell Trans	4.88	-	40.5	20.7	4.9
Elf Aquitaine	107.86	+2.5	28.4	0.8	2.1
Total B	101.26	+2.4	25.6	0.8	1.8

OTHER FINANCIAL

Name	Price (Ecu)	Chge +or-	Mkt cap Ecu(bn)	Vol (m)	Yld
[illegible]	5.28	-	3.7	1.3	1.8
[illegible]	77.85	-2.8	4.1	0.2	2.4
Dexia	138.96	-5.7	4.7	0.1	0.7
[illegible]	9.85	-.6	6.0	2.8	3.8
Pwr Finl	12.10	-	3.2	2.6	2.1
Schroders	14.43	-	4.1	5.2	2.6

PAPER PACKAGING & PRINTING

Name	Price (Ecu)	Chge +or-	Mkt cap Ecu(bn)	Vol (m)	Yld
Alusuisse-Lo	648.02	-68.9	5.3	0.1	-
SCA A	15.90	-.5	1.9	2.1	3.3
SCA B	16.42	-.1	2.2	2.3	2.2
Stora A	9.16	-.1	3.9	2.7	4.4
UPM-Kymmene	18.32	-.7	5.1	[illegible]	5.0

PHARMACEUTICALS

Name	Price (Ecu)	Chge +or-	Mkt cap Ecu(bn)	Vol (m)	Yld
Astra A	14.36	-.4	22.4	[illegible]	1.4
Glaxo Wellco	25.59	-.5	92.1	2.1	2.5
Novartis R	1,321.97	-55.9	91.2	2.2	1.2
Novo Nordisk	113.59	-8.1	7.3	2.2	1.7
Rhone-Poulenc	38.36	-8.1	12.5	1.2	1.2
Roche Hold B	9,401.59	-392.5	88.5	-	0.5
Sanofi	121.80	-8.9	13.1	0.4	0.6
Schering	98.15	-4.6	6.1	0.1	1.4
SmithKline	9.96	-.2	55.7	6.3	1.7
Synthelabo	146.37	-8.7	7.0	-	0.6
Zeneca	32.45	+.2	30.8	2.1	2.2

PROPERTY

Name	Price (Ecu)	Chge +or-	Mkt cap Ecu(bn)	Vol (m)	Yld
Br Land	7.94	+.1	4.7	1.8	2.1
Land Sec	12.79	-	7.8	5.6	4.0

RETAILERS, FOOD

Name	Price (Ecu)	Chge +or-	Mkt cap Ecu(bn)	Vol (m)	Yld
Asda	2.41	-	7.4	8.3	2.6
Ahold	24.32	-4.3	13.8	5.3	1.5
Carrefour	528.36	-12.8	20.2	0.1	0.8
Casino	91.30	-7.2	7.1	0.8	1.8
Delhaize Fre	79.81	-	3.7	0.1	1.0
Promodes	523.09	-12.8	[illegible]	-	0.6
Safeway	4.59	+.1	5.0	7.3	5.7
Sainsbury	7.80	-	15.0	3.7	3.2
Tesco	2.32	-	15.4	13.1	3.0

RETAILERS, GENERAL

Name	Price (Ecu)	Chge +or-	Mkt cap Ecu(bn)	Vol (m)	Yld
Boots	13.29	-.4	12.1	0.8	3.0
Dixons	8.65	+.1	3.7	3.8	2.6
GUS	8.51	-.6	9.8	2.7	3.3
H & M B	57.24	-6.4	10.5	1.1	0.8
Kingfisher	7.60	-.4	9.6	2.2	3.1
Marks & S	6.13	-.3	17.5	5.9	4.2
Metro AG	61.40	-4.1	13.8	0.1	2.8
Pinault Prin	144.30	-	16.8	0.2	0.8

SUPPORT SERVICES

Name	Price (Ecu)	Chge +or-	Mkt cap Ecu(bn)	Vol (m)	Yld
Adecco (Br)	330.56	-40.7	6.6	-	1.8
Hays	12.12	-.2	8.2	2.1	1.6
Randstad Hld	45.30	-	4.6	0.4	1.0
[illegible] A	116.25	-16.0	8.8	-	1.4
[illegible] B	130.84	-7.8	2.4	0.1	1.3
Rentokil Ini	4.47	+.3	12.8	7.8	1.3
Sodexho	165.65	-11.4	8.2	0.1	0.9
TNT Post Grp	19.31	-	9.8	1.7	0.7
Williams	4.65	-.2	2.3	0.8	3.3

TELECOMMUNICATIONS

Name	Price (Ecu)	Chge +or-	Mkt cap Ecu(bn)	Vol (m)	Yld
BT	11.95	-.1	72.2	7.8	3.0
Cable & Wlss	9.30	-	8.0	-	-
Cable & W	7.45	-.3	17.9	4.9	2.4
Deutsche Tel	25.73	-.6	72.8	0.6	2.2
France Telec	61.32	-4.2	14.2	2.1	1.6
Olivetti	1.28	-.1	4.9	46.4	-
Orange	8	-.3	9.6	1.9	-
Portugal Tel	32.65	-2.3	4.7	-	2.5
KPN	31.72	-.8	15.1	1.4	2.8
Securicor	6.42	-.3	3.9	1.5	0.5
Tele Danmark	78.43	-6.5	8.3	0.5	3.1
Telecom Ital	5.35	[illegible]	30.8	32.3	1.7
TIM	4.80	[illegible]	35.6	[illegible]	0.0
Telefonica	28.99	-1.8	29.6	4.8	1.8
Vodafone	10.54	-.5	32.6	10.0	0.9

TOBACCO

Name	Price (Ecu)	Chge +or-	Mkt cap Ecu(bn)	Vol (m)	Yld
Brit Am Tob	6.65	+.1	18.1	71.2	6.6
Gallaher	5.84	+.1	4.8	4.6	5.1
Imperial Tob	8.15	-.1	4.2	0.9	4.8
[illegible] A	188.33	-14.8	5.2	-	1.4

TRANSPORT

Name	Price (Ecu)	Chge +or-	Mkt cap Ecu(bn)	Vol (m)	Yld
[illegible]	12.26	-.4	3.1	0.5	2.8
BAA	8.51	-.3	6.8	2.1	3.0
DS 1912 B	4,981.95	-146.2	2.7	-	0.1
DS Svendbo	7,048.63	-356.4	2.5	-	0.1
Lufthansa	16.91	-1.7	2.2	0.6	2.7
P & O	8.95	-.4	5.7	2.5	5.7
Railtrack	22.96	-.3	11.2	1.4	1.9
Stagecoach	15.65	-.1	4.1	0.1	1.4

WATER

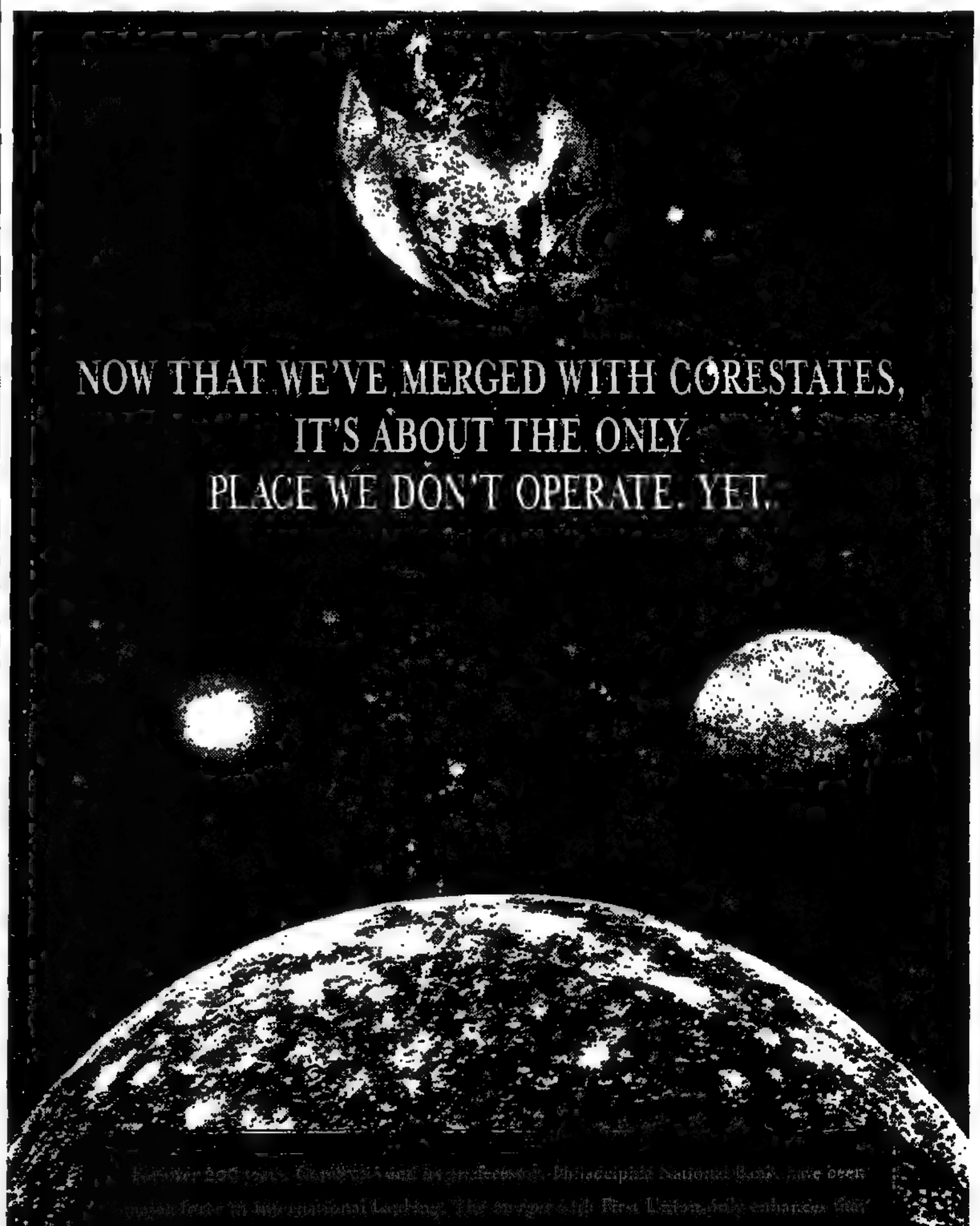
Name	Price (Ecu)	Chge +or-	Mkt cap Ecu(bn)	Vol (m)	Yld
Anglian Wtr	13.55	-.4	3.7	0.2	5.4
Severn Trent	15.53	-.5	5.3	1.4	4.8
Thames Water	18.12	-.1	5.8	1.5	4.3
Utd Utils	12.18	-.2	7.2	2.8	4.6

Notes

Price data and market capitalisations supplied by FTSE International. Market capitalisation figures are based on shares used in index calculations. Shares are not counted where foreign ownership restrictions apply. Market caps may include secondary lines not eligible as constituents. Stocks in bold type are domiciled in Euro countries. Trading volumes and yields derived from local domestic markets and supplied by Extel, part of FT Information.

Company classifications are based on those used for the FTSE Eurotop share indices.

Prices of stocks may move on public holidays due to currency fluctuations.



INTERNATIONAL CAPITAL MARKETS

US long-bond yield approaches 5%

GOVERNMENT BONDS

By John Labate in New York and Khozem Merchant in London

US Treasuries had another strong morning with volatile trading, with the long bond yield moving closer to the 5 per cent level, as equities plunged on the televised release of President Bill Clinton's grand jury testimony. Treasuries set the pattern of trading in the main European markets.

In the US, by early afternoon the benchmark 30-year bond was up 1 to 106⅞, sending the yield down to 5.083 per cent. Treasury bills fell, but short-term notes gained ground. The two-year note rose 1/32 to 100 31/32, yielding 4.595 per cent, and the 10-year note rose 7/32 to 107 7/32, yielding 4.619 per cent.

Mr Clinton's testimony, which was expected to run for more than four hours, continued into the afternoon. The testimony, added to the latest profits warnings and volatility in overseas markets, sent buyers into the Treasury market.

Prior to the market's opening, overnight activity suggested a strong opening for Treasuries.

"The international financial concerns were there, with the Nikkei down 380 points," said Richard Gilhooly, international bond strategist at Paribas Capital Markets in New York. "It was a combination of Asian concerns, European stock markets weakening and the advent of the Clinton testimony," he added.

In what is expected to be a moderate week for fresh economic reports, durable goods and GDP estimates are due on Thursday, with personal income data expected on Friday.

The major event will come early the following week when the Federal Open Market Committee meets to decide interest rate policy.

"We're in for a choppy trade before next Tuesday, but the market's probably not going to make much headway one way or the other," said Patrick Dimick, Treasury market analyst at UBS Securities.

GERMAN BUNDS hit post 1945-highs but, as Joanne Collins, senior economist and strategist at Daiwa Europe, said, this was "more a reflection of external factors".

The December futures contract closed at 114.38 after giving up early day gains. This was against a backdrop of weak share prices, with the Dax index weakening 4 per cent by the close.

In the cash market the yield on 10-year bunds fell to another record low, of 3.88 per cent, on turnover of 482,400 contracts on the Deutsche Terminbörse.

External factors, such as stock markets, emerging markets and the US political uncertainty, remain the main drivers behind the flight from equities to safe haven bonds in Germany and other European countries.

The unravelling of the Japanese government's rescue plan for the troubled Long Term Credit Bank of Japan weighed on the markets, too.

This further convinced markets that Japan was incapable of delivering enduring policy solutions. For good measure, Japan's credit rating was downgraded.

In **UK GILTS**, the December future ended at 115.55, up 0.5 from Friday. The spread to the benchmark German bund narrowed to 107 basis points.

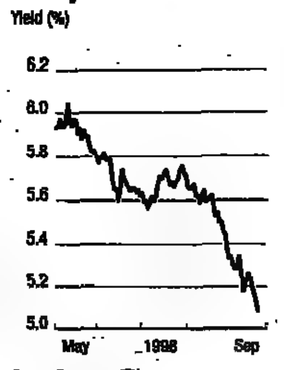
In the cash market, 10-year gilts yielded 4.90 per cent, the lowest since the mid-1950s. The yield on the 7¼ December 2007 gilt fell to 4.89 per cent.

Turnover on Liffe was 50,500 contracts. Weak shares prices encouraged bond market sentiment. The FTSE 100 fell 1.3 per cent amid a continuing gloomy corporate outlook.

"After a week of bond-friendly news, such as a softening inflationary outlook and slower earnings growth, we were expecting gilts to underperform as there is little economic data on the UK economy this week and we are a fortnight away from the Bank of England's next MPC meeting," said Ms Collins.

"But our expectations were reversed," she said, adding that sterling's strength against the dollar appeared to have underpinned bonds.

US 30-year benchmark bond
Yield (%)



Source: Datastream/ICV

Interest rate swaps in FT from today

By Edward Luce, Capital Markets Editor

The Financial Times from today includes a daily table of interest rate swaps as part of its drive to provide a comprehensive daily snapshot of global capital markets.

The table includes the D-Mark until January, when it disappears, the Ecu, yen and US dollar, and maturities from one to 30 years.

The decision to include the data, provided by InterCapital Brokers, a leading money market broker and information provider, follows the exponential growth of the over-the-counter swaps market in the past few years.

The market, which has grown five-fold since 1992, according to some estimates, has become increasingly commoditised with the development of both a longer and more liquid yield curve.

Some analysts believe the euro-denominated swaps curve could serve as a benchmark in competition with German and French government bonds after monetary union in January.

In recognition of this, the London International Financial Futures and Options Exchange will next month launch a futures contract based on the 10-year and five-year swaps rate in euros. The contract, based on Libor, has been set up to compete with 10-year German government bond future contract at the Deutsche Terminbörse.

In other respects, the OTC swaps market is expected to continue growing, partly as a result of the climate of lower and more stable interest rates in the leading currency markets.

See Euro Prices page

Greece plans privatisation bonds in euros

By Vincent Boland

The Greek government is to raise at least E1bn through a bond issue that can be exchanged for shares in companies targeted for privatisation, as it seeks to make tangible its commitment to qualifying for European Monetary Union by 2001.

The bonds, known as privatisation certificates, details of which were announced yesterday, aim to raise E500m from international investors and a similar amount from domestic investors, including a significant portion targeted at the retail market.

Nikos Christodoulakis, deputy finance minister, said the government wanted "to create a sense of momentum" around its pledge to increase the pace of privatisation and would market the certificates heavily to Greek retail investors.

"This is a very public commitment to privatisation and proves how determined the government is to going ahead with it," he said in London at the start of a road-show to introduce the issue to international investors.

All investors buying the certificates will be given priority allocations of shares in companies being privatised and will be able to acquire those shares at a 5 per cent discount to the privatisation price in every case, using the bonds as payment.

Up to 40 per cent of every privatisation issue being sold in the public markets after January 1 is to be reserved for holders of the certificates. Companies likely to be privatised soon in which shares can be acquired in this way include banks, telecommunications and energy companies.

However, the third instalment of the privatisation of OTE, the national telecoms group, is not included. Mr Christodoulakis said road-shows to sell a 15 per cent stake in OTE were scheduled to begin in three weeks, in spite of the recent downturn in world stock markets.

The E500m tranche of the issue aimed at international investors will have a life of five years and pay interest at 3 per cent a year. The domestic tranche will be for a minimum of Dr170bn of zero-coupon certificates with a life of three years issued at a discount to par.

Books for the international tranche and the institutional part of the domestic tranche close next Tuesday, when the issue will be priced.

Retail investors will be given another three days to participate. National Bank of Greece, Paribas and EFG Eurobank are lead managers.

Bankers said the yield on the euro tranche of the privatisation certificates would be equivalent to a notional five-year Greek eurobond issue, while that on the domestic tranche would equate to the yield on three-year Greek government bonds.

The structure of the certificates means that if the government fails to privatise during the five-year period it will have to compensate investors at redemption.

"It will be cheaper for us to privatise," Mr Christodoulakis said, describing the certificates as an incentive to go ahead with the sales of state assets.

St George's Bank to return

INTERNATIONAL BONDS

By Edward Luce

St George's Bank, the Australian bank, will return to the eurobond markets today with its second mortgage-backed offering this year. The US$325m bond, split into two tranches, will follow a $500m offering earlier this year.

Deutsche Bank, sole lead manager and provider of the swap for the borrower, said the mortgage-backed market had been relatively unscathed by the broader market turmoil in the past few weeks. This was partly because investors liked the added security of collateral on AAA-rated deals.

Nevertheless, spreads on MBS deals have widened in the secondary markets since mid-August and Crusade 2 (the vehicle that will launch the securitisation) is expected to be priced at a slightly wider margin than the previous offering, which came at a margin of 18 basis points over Libor.

The bond, split into a $314m AAA-rated tranche and an $11m double-A minus tranche, will be priced today. It is collateralised on residential Australian mortgages of between one and five years with an average maturity of 3.6 years.

Last week, MBNA issued a £400m deal based on credit card receivables. Several other securitisations have been successfully distributed in the midst of some of the worst secondary and primary market conditions in recent memory.

Elsewhere, AAA-rated borrowers such as **RABOBANK** and the **WORLD BANK** continued to place offerings. However, there was scant sign of any lower-rated borrowers preparing to come to the market.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
Bistro 98-4, Class A‡	127.5	(a1)	100.00	Sep 2001	0.21	-	JP Morgan Securities
Bistro 98-4, Class B1	95	6.96#	99.992	Sep 2001	0.21	+225(Sep01)	JP Morgan Securities
Bistro 98-4, Class B2‡	60	(a2)	100.00	Sep 2001	0.21	-	JP Morgan Securities
STERLING							
World Bank	200	5.40(a)	99.358	Jun 2021	0.45	-	Dresdner KB
World Bank(b)	50	7.125	110.75	Jul 2007	0.325	-	Warburg Dillon Read
FRENCH FRANCS							
Rabobank Nederland	3bn	4.375	100.024R	Oct 2008	0.325R	+30(8%Oct08)	Crédit Agricole Indosuez
PESETAS							
L-Bank	10bn	3.80	99.967	Oct 2001	0.10	-	BCH
DANISH KRONER							
Crédit Local de France	400	5.00	101.70	Nov 2003	1.875	-	BIL
NEW ZEALAND DOLLARS							
Bayerische Landesbank	100	6.50	100.675	Oct 2001	1.60	-	RBC DS Global Markets

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ‡ Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a1) 3-mth Libor +20bp. a2) 3-mth Libor +184bp. b) Fungible with £450m. Plus 52 days accrued. a) Short 1st coupon.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

Sep 21	Red Date	Coupon	Bid Price	Bid Yield	Day chg yield	Wk chg yield	Month chg yld	Year chg yld
Australia	01/01	8.750	108.4495	4.81	-0.06	-0.11	-0.49	+0.13
	08/09	8.750	127.0638	5.21	-0.05	-0.13	-0.40	-0.95
Austria	07/00	5.875	103.7200	3.70	-0.07	+0.07	-0.16	-0.59
	01/08	5.000	106.1700	4.18	-0.07	-0.14	-0.33	-1.41
Belgium	01/00	4.000	100.4900	3.62	+0.03	+0.01	-0.01	-0.44
	03/08	6.750	111.6500	4.21	-0.08	-0.18	-0.30	-1.44
Canada	03/00	5.000	99.8200	5.13	-0.05	-0.05	-0.11	+1.03
	06/08	6.000	106.5000	5.13	-0.07	-0.16	-0.38	-0.63
Denmark	11/00	9.000	107.0000	5.42	+0.58	+1.05	+1.26	+0.76
	11/07	7.000	115.0000	4.92	+0.18	+0.29	+0.26	-1.19
Finland	01/99	11.000	102.2735	3.04	-0.08	-0.03	-0.31	-1.07
	04/08	6.000	112.6810	4.35	-0.03	-0.11	-0.20	-1.43
France	01/00	4.000	100.5500	3.54	-0.08	+0.02	-0.10	-0.68
	04/05	7.500	121.3400	3.77	-0.06	-0.09	-0.35	-1.34
	04/08	5.250	109.3300	4.06	-0.08	-0.18	-0.30	-1.49
	04/29	5.500	110.7400	4.82	-0.06	-0.19	-0.24	-1.32
Germany	03/00	4.000	100.7800	3.43	-0.06	-	-0.13	-0.54
	10/05	6.500	115.7500	3.90	-0.08	-0.10	-0.29	-1.28
	01/08	5.250	110.1600	3.92	-0.06	-0.15	-0.38	-1.63
	01/28	5.625	113.4300	4.76	-0.08	-0.21	-0.24	-1.44
Ireland	10/01	6.500	107.4200	3.89	-0.06	-0.01	-0.39	-1.49
	08/08	6.000	113.4000	4.31	-0.05	-0.12	-0.32	-1.77
Italy	04/01	4.500	101.4400	3.89	-0.01	+0.08	-0.19	-1.48
	05/03	4.750	102.9200	4.05	-0.03	+0.02	-0.21	-1.54
	05/08	5.000	104.8600	4.37	-0.02	-0.08	-0.27	-1.75
	11/27	6.500	118.9000	5.22	-0.02	-0.06	-0.05	-1.51
Japan	03/00	6.400	109.0500	0.28	+0.01	+0.04	-0.19	-0.82
	06/03	4.500	118.0600	0.82	+0.07	+0.02	-0.31	-0.88
	09/05	3.000	115.0500	0.78	+0.07	-0.05	-0.45	-1.23
	03/18	2.700	120.7300	1.47	+0.07	-0.08	-0.60	-1.38
Netherlands	05/00	9.000	108.4800	3.53	-0.11	+0.04	-0.20	-0.58
	07/08	5.250	109.4400	4.08	-0.08	-0.14	-0.38	-1.45
New Zealand	02/01	8.000	104.2781	6.00	+0.08	+0.15	-0.17	-0.81
	11/06	8.000	113.4142	5.90	+0.03	-0.15	-0.23	-0.75
Norway	01/99	9.000	100.2500	7.79	-	+0.06	+1.06	+3.27
	01/07	6.750	108.3000	5.47	+0.08	+0.07	-0.08	-0.37
Portugal	05/00	5.375	102.5700	3.55	-0.04	-	-0.35	-1.61
	06/08	5.375	107.9000	4.36	-0.03	-0.11	-0.28	-1.70
Spain	04/00	6.750	104.5400	3.65	-0.03	+0.03	-0.17	-1.19
	01/08	6.000	112.2400	4.37	-0.04	-0.08	-0.28	-1.58
Sweden	05/00	10.250	108.7230	4.43	+0.14	+0.19	+0.18	-0.42
	05/08	6.500	112.1310	4.86	+0.18	+0.15	+0.23	-1.46
Switzerland	03/00	5.000	104.9800	1.60	-0.04	-0.08	-0.47	-0.26
	06/07	4.500	114.2500	2.84	-0.05	-0.07	-0.02	-0.85
UK	11/01	7.000	104.0625	5.56	-0.10	-0.25	-0.88	-1.28
	12/03	6.500	106.1250	5.14	-0.09	-0.24	-0.61	-1.59
	12/07	7.250	117.2188	4.90	-0.07	-0.25	-0.55	-1.77
	12/28	6.000	121.7813	4.65	-0.09	-0.30	-0.58	-1.95
US	06/00	5.500	101.3004	4.68	-0.03	-0.10	-0.59	-1.14
	05/03	5.500	103.3119	4.57	-0.04	-0.17	-0.70	-1.60
	05/08	5.625	107.7111	4.62	-0.06	-0.24	-0.70	-1.47
	11/27	6.125	113.3018	5.21	-0.02	-0.09	-0.30	-1.14
ECU	07/00	4.000	100.5400	3.68	-0.01	-0.01	-0.13	-0.83
	04/08	6.250	108.7800	4.12	-0.06	-0.13	-0.23	-1.61

London closing. *New York mid-day. Source: Interactive Data/FT Information
Yields: Local market standard. Annualised yield basis. Yields shown for Italy exclude withholding tax at 12.5 per cent payable by nonresidents

10 YEAR BENCHMARK SPREADS

Sep 21	Bid Yield	Spread vs Bunds	Spread vs T-Bonds
Australia	5.20	+1.33	+0.58
Austria	4.18	+0.31	-0.44
Belgium	4.23	+0.36	-0.39
Canada	5.12	+1.25	+0.50
Denmark	4.87	+1.00	+0.25
Finland	4.36	+0.49	-0.26
France	4.07	+0.20	-0.55
Germany	3.87	-	-0.75
Ireland	4.32	+0.45	-0.30
Italy	4.43	+0.56	-0.19
Japan	0.93	-2.94	-3.69
Netherlands	4.08	+0.13	-0.56
New Zealand	5.90	+2.03	+1.28
Norway	5.43	+1.56	+0.81
Portugal	4.37	+0.50	-0.25
Spain	4.45	+0.58	-0.17
Sweden	4.90	+1.03	+0.28
Switzerland	2.88	-0.99	-1.74
UK	4.81	+0.94	+0.19
US	4.62	+0.75	-
ECU	4.13	+0.26	-0.49

Source: Interactive Data/FT Information. London closing. * New York closing. Annualised yield basis.

EMERGING MARKET BONDS

Sep 21	Red date	Coupon	S & P Rating	Bid price	Bid yield	Day's chge yld	Mth's chge yld	Sprd vs US
EUROPE								
Croatia	02/02	7.000	BBB-	87.7419	11.42	+0.26	+2.31	+6.91
Poland	07/04	7.125	BBB-	101.1278	6.87	+0.06	-0.21	+2.37
Russia	06/07	10.000	n/a	20.5000	52.00	-0.26	+17.42	+47.41
LATIN AMERICA								
Argentina	09/27	9.750	BB	76.0000	12.35	-0.35	-0.72	+7.89
Brazil	05/27	10.125	BB-	58.0940	17.52	+0.19	+0.83	+12.46
Mexico	05/26	11.500	BB	93.0000	12.49	+0.15	-1.10	+7.37
ASIA								
China	07/06	7.750	BBB+	95.0360	8.64	-0.14	-0.42	+4.08
Philippines	10/16	8.750	BB+	69.0000	13.33	+0.20	+1.69	+8.50
Thailand	04/07	7.750	BBB-	67.9716	14.37	+0.48	+2.80	+9.78
AFRICA/MIDDLE EAST								
Lebanon	07/00	9.125	BB-	102.1380	7.81	+0.26	-1.16	+3.23
South Africa	10/06	8.375	BB+	84.2303	11.47	+0.26	+1.26	+6.91
Turkey	09/07	10.000	B	78.0000	14.54	+0.25	+2.31	+9.95
BRADY BONDS								
Argentina	03/23	5.750	BB	64.0000	9.93	-0.09	-0.35	+4.96
Brazil	04/14	5.000	BB-	60.0000	13.70	+0.03	-1.38	+8.94
Mexico	12/19	6.250	BB	71.3750	9.38	+0.11	-0.12	+4.51
Venezuela	03/20	6.750	B+	64.0000	11.21	-0.80	-1.20	+6.31

London closing. Prices in US$. Standard & Poor's ratings. Source: Interactive Data/FT Information.

BOND FUTURES AND OPTIONS

France

NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	110.25	110.70	+0.70	110.99	110.25	110	109,367

LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Oct	Calls Nov	Calls Dec	Puts Oct	Puts Nov	Puts Dec
103	6.25	6.25	6.25	-	-	0.01
104	5.25	5.25	5.25	-	-	0.02
105	4.25	4.25	4.28	-	0.01	0.06
106	3.25	3.26	3.37	-	0.05	0.14

Est. vol. total, Calls 9,128 Puts 1,287. Previous day's open int., Calls 38,007 Puts 88,426.

Germany

NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	114.35	114.49	+0.58	114.80	114.25	169	5009
Mar		113.16	+0.58			0	0

NOTIONAL GERMAN BUND FUTURES (DTB) DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	114.25	114.38	+0.34	114.80	114.22	482,395	821,440
Mar	114.76	114.77	+0.52	115.20	114.74	2,154	8,873

BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Oct	Calls Nov	Calls Dec	Puts Oct	Puts Nov	Puts Dec
11400	0.66	1.06	1.35	0.07	0.59	0.86
11450	0.23	0.81	1.06	0.34	0.82	1.09
11500	0.06	0.59	0.81	0.67	1.10	1.32

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 6696 Puts 6490

NOTIONAL GERMAN BUND (BOBL) FUTURES (DTB) DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	108.06	108.07	+0.17	108.37	108.01	179,062	280,210
Mar	107.84	107.73	+0.28	107.84	107.84	769	2,482

Italy

NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	111.21	111.24	+0.17	111.63	111.10	17207	81202
Mar		111.37	+0.30			0	0

ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Oct	Calls Nov	Puts Oct	Puts Nov
11100	0.28	0.64	0.04	0.40
11150	0.04	0.39	0.30	0.65
11200	0	0.22	0.76	0.98

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 109 Puts 2275

Spain

NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	115.17	115.12	+0.34	115.43	114.89	62,236	89,929
Mar	-	114.57	-	-	-	-	-

UK

NOTIONAL 5 YEAR GILT FUTURES (LIFFE) £100,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep		107.14	+0.37			0	561
Dec		107.31	+0.39			0	1694

NOTIONAL UK GILT FUTURES (LIFFE)* £100,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	115.69	115.34	+0.55	115.78	115.69	104	4650
Dec	115.38	115.55	+0.54	116.08	115.19	51942	149730

LONG GILT FUTURES OPTIONS (LIFFE) £100,000 100ths of 100%

Strike Price	Calls Oct	Calls Nov	Calls Dec	Puts Oct	Puts Nov	Puts Dec
11550	0.28	1.12	1.45	0.23	1.07	1.40
11600	0.11	0.92	1.25	0.56	1.37	1.70
11650	0.04	0.72	1.08	0.99	1.67	2.03

Est. vol. total, Calls 6036 Puts 2424. Previous day's open int., Calls 61412 Puts 36341

US

US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Sep	129-08	129-30	+0-18	130-07	129-08	19,542	27,201
Dec	129-05	129-22	+0-17	130-00	129-01	510,725	701,244
Mar	129-10	129-12	+0-17	129-20	129-00	1,440	68,584

Japan

NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Dec	138.28	138.23		138.32	138.00	2080	n/a
Mar	137.47	137.42		137.47	137.47	10	n/a

* LIFFE futures also traded on APT. All Open Interest figs. are for previous day

Ecu

ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	-	108.66	+0.74	-	-	-	-

US CORPORATE BONDS

Sep 18	Red date	Coupn	S & P Rating	Bid price	Bid yield	Day's chge yld	Mth's chge yld	Sprd v Govts
UTILITIES								
Pac Bell	07/02	7.25	AA-	106.1333	5.42	-0.09	-0.59	+0.92
NY Tel	08/03	7.00	A+	102.9573	6.69	-0.05	-0.39	+2.19
CWE	06/08	8.00	BBB	114.7884	5.96	-0.08	-0.41	+1.28
FINANCIALS								
GECC	06/07	8.75	AAA	122.3062	5.47	-0.09	-0.83	+0.79
Banc One	08/02	7.25	A+	106.1488	5.45	-0.10	-0.58	+0.95
Media One	01/07	7.30	BBB	107.6374	6.11	-0.06	-0.35	+1.43
INDUSTRIALS								
WMX Tech	04/99	6.25	BBB+	100.2081	5.83	-0.09	-0.24	+1.35
Wal Mart	06/02	8.75	AA	108.6232	5.03	-0.10	-0.67	+0.53
Dayton Hud	08/21	9.70	BBB+	136.7402	6.83	-0.03	-0.09	+1.49
AGENCIES								
FHLMC	04/07	7.14	N/A	112.9545	5.24	-0.08	-0.83	+0.56
SLMA	03/00	7.50	N/A	103.3486	5.09	-0.07	-0.48	+0.48
FNMA	02/10	8.95	N/A	137.2687	5.73	-0.04	-0.33	+0.89
FFCB	06/06	8.65	N/A	123.4611	5.20	-0.09	-0.55	+0.52
HIGH YIELD								
Stone Cont	02/01	9.88	B	94.3750	0.00	-	-	-
AK St	12/01	9.13	BB-	99.5000	0.00	-	-	-
Pacella	08/04	10.75	B-	91.0000	0.00	-	-	-

NY closing. Standard & Poor's ratings. Yields: semi-annual basis. Source: Interactive Data/FT Information.

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
Prime rate	8½	One month	-	Two year	4.55
Broker loan rate	7¾	Two month	-	Three year	4.52
Fed.funds	5½	Three month	4.54	Five year	4.44
Fed.funds at intervention	-	Six month	4.73	10-year	4.61
		One year	4.61	30-year	5.07

INTERNATIONAL BONDS

Sep 21	Red date	Coupon	S & P Rating	Bid price	Bid yld	Day's chge yld	Mth's chge yld	Spread v Govts
EURO DM								
EIB	02/07	5.750	AAA	110.3900	4.25	-0.04	-0.22	+0.30
Spain	01/07	5.750	AA	110.2200	4.26	-0.03	-0.26	+0.31
Philip Morris	03/04	5.375	A	103.8600	4.55	-0.06	-0.15	+0.73
Finland FRN	09/02	3.831	AA	100.6656	3.12	-0.08	-0.18	-0.49
EURO FFR								
Austria	07/04	6.500	AAA	107.6300	3.88	-0.05	-0.19	+0.18
Abbey Nat	02/04	6.000	AA	109.4900	4.00	+0.01	-0.19	+0.27
Cred Foncier	02/04	9.125	A	122.6500	4.33	-0.02	-0.16	+0.60
3CIF FRN	12/01	3.517	AA-	99.9808	3.52	-0.06	-0.14	-0.14
EURO LIRA								
EIB	02/07	7.000	AAA	118.3000	4.34	-0.04	-0.27	-0.03
Abbey Nat	02/02	6.800	AA	108.3700	4.11	-0.02	-0.18	+0.09
Walt Disney	08/00	8.825	A	107.3100	4.17	-0.03	-0.18	+0.18
EIB FRN	03/01	4.743	AAA	100.1110	3.73	-0.01	-0.19	-0.19
EURO £								
EIB	12/07	7.625	AAA	114.6111	5.55	-0.07	-0.39	+0.62
Dresdner Bk	12/07	7.750	AA-	110.0055	6.28	-0.04	-0.15	+1.35
British Gas	03/00	7.625	A+	101.1889	6.73	-0.07	-0.59	+0.86
Abbey Nat FRN	02/02	7.900	AA	100.1471	6.37	-0.07	-0.87	+0.03
EURO $								
EIB	04/07	7.250	AAA	113.4300	5.26	-0.12	-0.44	+0.67
ABN Amro	06/07	7.125	n/a	107.8881	5.96	-0.13	-0.17	+1.39
Quebec	01/07	7.000	A+	107.7750	5.81	-0.15	-0.13	+1.22
Citicorp FRN	02/04	5.750	A+	100.5682	6.50	-0.14	+0.15	+1.00
EURO C$								
Bayer L-Bk	08/04	9.500	AAA	118.9094	5.63	-0.15	-0.41	+0.16
Toronto	06/04	8.500	AA+	113.8209	5.58	-0.15	-0.38	+0.11
Bell Canada	07/09	10.625	A+	103.7896	5.61	-0.08	-0.22	+0.86
Deutsche B FRN	09/02	5.875	AAA	100.4005	5.76	-0.14	-0.16	+0.34
EURO YEN								
World Bank	03/02	5.250	AAA	116.3328	0.52	+0.07	-0.27	-0.04
Spain	03/02	5.750	AA	118.1138	0.51	+0.07	-0.25	-0.06
Cred Foncier	08/02	4.750	A	114.2638	0.88	+0.07	-0.27	+0.42
Italy FRN	07/98	0.727	AA	100.2280	0.01	+0.01	-0.12	-0.26

London closing. Standard & Poor's ratings. Yields: Local market standard/Annualised basis. Source: Interactive Data/FT Information

UK BONDS

FTSE Actuaries Govt. Securities

Price Indices UK Gilts	Mon Sep 21	Day's change %	Fri Sep 18	Accrued interest	xd adj. ytd
1 Up to 5 years (18)	120.84	0.24	120.64	2.04	7.55
2 5-15 years (19)	172.15	0.50	171.31	3.01	7.34
3 Over 15 years (9)	225.32	1.09	222.90	2.77	8.20
4 Irredeemables (4)	305.98	1.88	300.33	4.46	8.53
5 All stocks (46)	162.53	0.57	162.65	2.61	7.80
Index-linked					
6 Up to 5 years (2)	221.04	0.11	220.80	1.05	4.38
7 Over 5 years (9)	241.35	0.18	240.92	1.34	5.06
8 All stocks (11)	237.43	0.17	237.03	1.28	4.91

UK Indices

Yield indices	Low coupon yield Sep 21	Sep 18	Yr. ago	Medium coupon yield Sep 21	Sep 18	Yr. ago	High coupon yield Sep 21	Sep 18	Yr. ago
5 yrs	5.22	5.31	6.68	5.28	5.36	6.78	5.24	5.33	6.82
15 yrs	4.73	4.82	6.63	4.89	4.98	6.64	4.95	5.05	6.72
20 yrs	4.69	4.78	6.63	4.88	4.96	6.61	4.95	5.04	6.72
Irred.†	4.95	5.04	6.72						

	Inflation 5% Sep 21	Sep 18	Yr. ago	Inflation 10% Sep 21	Sep 18	Yr. ago
Up to 5 yrs	2.89	2.72	3.45	1.86	1.89	2.72
Over 5 yrs	2.40	2.41	3.38	2.19	2.21	3.28

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT Fixed Interest Indices

	Sep 21	Sep 18	Sep 17	Sep 16	Sep 15	Yr ago	High*	Low*
Govt. Secs. (UK)	111.87	111.09	111.06	110.05	109.88	99.65	111.87	93.31
Fixed Interest	151.61	151.02	150.49	149.85	149.90	130.33	151.51	115.32

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UK GILTS PRICES

	Notes	Yield Int	Yield Red	Price £	+ or -	52 week High	52 week Low
Shorts* (Lives up to Five Years)							
Treas 15½pc '98		15.47	4.47	100 3/32xd	+1/32	108 1/16	100 3/32
Exch 12pc 1998		11.92	6.72	100 5/8	—	105 3/8	100 5/8
Treas 9½pc 1999		9.43	6.89	100 27/32	+1/32	103 1/32	100 13/16
Treas Flg Rate 1999		-	-	100 1/32	—	100 1/32	100 1/32
Exch 12¼pc 1999		11.93	6.80	102 21/32xd	+1/32	107 1/2	102 11/16
Treas 10½pc 1999		10.25	6.60	102 13/32	+1/32	105 1/2	102 1/4
Treas 6pc 1999		6.02	6.39	99 5/8	+1/16	99 5/8	98 1/32
Conv 10¼pc 1999		9.82	6.19	104 3/8	+1/8	106 15/32	103 5/8
Treas 8½pc 2000	‡	8.25	6.10	103	+1/32	103 27/32	101 13/32
Conv 9pc 2000		8.66	6.14	103 29/32	+1/32	105 1/32	102 11/32
Treas 13pc 2000		11.64	6.02	111 23/32	+1/32	115 1/2	110 13/32
Treas 8pc 2000		7.65	5.75	104 5/8	+1/16	104 5/8	102 1/8
Treas Flg Rate 2001		-	-	100 11/32	—	100 11/32	100 1/32
Treas 10pc 2001		9.14	5.74	109 7/16	+1/4	110 1/4	107 1/8
Conv 9½pc 2001	‡	8.69	5.82	109 5/16	+1/4	109 5/16	106 5/32
Conv 9¾pc 2001	‡	8.85	5.83	110 3/16	+1/4	110 13/32	107 5/16
Treas 7pc 2001		6.73	5.53	104 1/16	+3/16	104 1/16	99 3/32
Exch 12pc 1999-2	‡	11.62	7.21	101 13/32	...	106 1/8	101 13/32
Conv 10pc 2002	‡	8.72	5.37	114 21/32	+1/8	114 21/32	110 1/32
Treas 7pc 2002		6.64	5.38	105 13/32	+3/16	105 13/32	100 3/8
Conv 9½pc 2002	‡	8.36	5.36	113 19/32	+1/8	113 19/32	109 1/8
Treas 9¾pc 2002		8.47	5.44	115 1/16	+1/8	115 1/16	110 5/32
Exch 9pc 2002	‡	7.97	5.44	112 13/32	+1/8	112 13/32	108 1/8
Conv 9¾pc 2003	‡	8.33	5.48	117 1/32	+1/8	117 1/32	112 1/8
Treas 8pc 2003		7.18	5.21	111 7/16	+13/32	111 7/16	104 13/32
Treas 10pc 2003		8.30	5.24	120 7/16	+1/16	120 7/16	114 1/8
Treas 13¾pc 2000-3	‡	12.14	5.98	113 1/32	+3/8	117 9/16	112 3/8
Five to Fifteen Years							
Treas 6½pc 2003		6.12	5.12	106 1/8	+13/32	108 1/8	100 1/2
Treas 11½pc 2001-4		10.17	5.77	113 1/16	+3/8	114 3/8	110 13/32
Treas 10pc 2004	‡	8.18	5.27	122 9/32	+1/16	122 9/32	115 13/32
Funding 3½pc 1999-4		3.60	4.08	97 1/8	+1/16	97 1/8	87 15/32
Conv 9½pc 2004		7.77	5.17	122 1/4	+13/32	122 1/4	114 1/16
Treas 6¾pc 2004		6.20	5.06	108 27/32	+13/32	108 27/32	99 1/8
Conv 9½pc 2005		7.68	5.17	123 27/32	+1/2	123 27/32	114 27/32
Exch 10½pc 2005	‡	8.04	5.30	130 21/32	+1/2	130 21/32	121 1/2
Treas 12½pc 2003-5		9.43	5.19	132 1/2	+1/16	132 1/2	126 23/32
Treas 8½pc 2005		7.07	5.09	120 3/16	+1/2	120 3/16	109 27/32
Conv 9¾pc 2006	‡	7.42	5.07	131 11/16	+1/16	131 11/16	119 3/16
Treas 7½pc 2006		6.44	5.03	116 1/8	+15/32	116 1/8	104 13/32
Treas 7¾pc 2006		6.60	5.07	117 11/32	+1/2	117 11/32	105 15/32
Treas 8pc 2002-6		7.34	5.46	109 1/16	+3/8	109 1/16	103 13/32
Treas 11¾pc 2003-7	‡	9.49	5.45	123 7/8	+1/8	123 7/8	119 7/32
Treas 8½pc 2007		6.83	5.02	124 13/32	+1/2	124 13/32	111 1/8
Treas 7¼pc 2007		6.18	4.89	117 1/4	+13/32	117 1/4	103 1/8
Treas 13½pc 2004-8	‡	9.68	5.73	139 1/2xd	+1/2	139 1/2	133 3/16
Treas 9pc 2008		6.83	5.94	131 11/32	+15/32	131 11/32	117 11/32
Treas 8pc 2009		6.38	5.83	125 13/32xd	+15/32	125 13/32	109 27/32
Treas 5¾pc 2009		5.35	4.88	107 13/32	+5/8	107 13/32	99 3/16
Treas 6¼pc 2010		5.58	4.91	112 1/16	+15/32	112 1/16	95 1/4
Conv 9pc Ln 2011		6.53	4.95	137 7/8	+7/8	137 7/8	119 1/4
Treas 9pc 2012		6.43	4.96	140 1/16	+15/32	140 1/16	120 3/16
Treas 5½pc 2008-12		5.19	4.71	106 3/16	+15/32	106 3/16	90
Treas 7¾pc 2012-15		6.12	4.97	126 15/32	+7/8	126 15/32	108 11/32
Over Fifteen Years							
Treas 8pc 2013		6.06	4.94	132xd	+1 1/16	132	111 3/16
Treas 8pc 2015		5.88	4.86	136 1/4	+1 1/4	136 1/4	113 31/32
Treas 8¾pc 2017		5.94	5.87	147 1/4	+1 1/2	147 1/4	122 1/4
Exch 12pc 2013-17	‡	6.94	5.04	173 1/16	+7/8	173 1/16	150 27/32
Treas 8pc 2021		5.57	4.80	143 13/32	+1 1/2	143 13/32	115 3/4
Treas 6pc 2028		4.92	4.63	122 1/16	+1 1/2	122 1/16	99 7/8
Undated							
Consols 4pc		5.14	-	77 13/32	+1 1/16	77 13/32	57 3/16
War Loan 3½pc		4.89	-	71 1/4	+1 1/8	71 1/4	52 13/32
Conv 3½pc '61 Aft.		3.95	-	88 1/4	+1 1/8	88 1/4	68 13/32
Treas 3pc '66 Aft.		5.42	-	55 1/4	+1/4	55 1/4	41 13/32
Consols 2½pc		4.96	-	50 1/8	+1/4	50 1/8	36 13/32
Treas. 2½pc		5.03	-	49 27/32	+13/32	49 27/32	36

Index-Linked	Notes (b)	Yield (1)	Yield (2)	Price £	+ or -	52 week High	52 week Low
2½pc '99	‡	1.42	2.40	194 13/16	+3/16	195 3/16	185 11/16
2½pc '01	(78.3)	2.81	3.20	201 1/4xd	+1/4	201 1/4	191 5/8
2½pc '03	(78.8)	2.63	2.88	200 13/32	+1/2	200 13/32	188 1/16
4⅜pc '04	(135.6)	2.46	2.67	129 15/32	+3/8	129 15/32	127 13/32
2pc '06	(69.5)	2.45	2.61	221 13/32	+1/4	221 13/32	199 13/32
2½pc '09	(78.8)	[illegible]	2.53	203 13/32	+3/8	203 13/32	180 7/8
2½pc '11	(74.6)	[illegible]	2.52	215 3/16	+3/8	215 3/16	188 1/16
2½pc '13	(89.2)	[illegible]	2.48	180 3/4	+1/2	180 3/4	159 13/16
2½pc '16	(81.6)	2.38	2.46	197 7/8	+15/32	197 7/8	168 13/16
2½pc '20	(83.0)	[illegible]	2.46	195 1/8	+1/2	195 1/8	160 13/16
2½pc '24	(97.7)	2.36	2.41	167 1/4	+15/32	167 1/4	134 1/8
4⅛pc '30	(135.1)	2.32	2.38	165	+5/8	165	131 13/32

Prospective real redemption rate on projected inflation of (1) 5% and (2) 3%. (b) Figures in parentheses show RPI base for indexing (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in February 1987. Conversion factor 3.945. RPI for January 1998: 159.5 and for August 1998: 163.7.

Other Fixed Interest

	Notes	Yield Int	Yield Red	Price £	+ or -	52 week High	52 week Low
Asian Dev 10¼pc 2009		7.51	5.61	136 7/16	—	136 7/16	125 13/32
B'ham 11½pc 2012		7.84	6.25	150 1/2	—	150 1/2	137 1/2
Leeds 13½pc 2006		9.22	-	146 1/2xd	—	146 1/2	138 1/2
Liverpool 3½pc Irred		6.03	-	58xd	—	58	46
LCC 3pc '20 Aft.		6.00	-	50	—	50	41
Manchester 11½pc 2007		8.30	5.95	138 1/2	—	138 1/2	128 1/2
Met. Wtr. 3pc 'B'		3.37	5.60	89	—	89	84
N'wide Anglia 3⅞pc IL 2021		-	2.32	180 13/32	—	187 7/8	172 1/4
4⅛pc IL 2024		-	3.30	173 5/8	—	187 1/2	147

● 'Tap' stock. All UK Gilts are tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock. Prospective real Index-Linked redemption yields are calculated by HSBC Greenwell from Bank of England closing prices. ‡ Indicative price.

Dollar weakens with stock markets

MARKETS REPORT

By Simon Kuper

Another bad day on Wall Street dragged down the dollar against the D-Mark, as currency traders could see no end to the troubles in global stock markets. Shares fell around the world, but the dollar suffered most because the US stock market is the world's largest. Currencies were more stable than shares, with many foreign exchange investors waiting out the turmoil.

Late in the day the dollar received a small boost from the videotape of President Bill Clinton's testimony to a grand jury over the Lewinsky affair. Mr Clinton's testimony was generally thought to contain nothing that would lead to his impeachment. It was embarrassing, but that had been anticipated.

The dollar gained against the yen, as Japan's government and opposition said they had done no deal yet on banking reform, contrary to earlier reports.

The Swedish krona tumbled after Sweden's elections on Sunday looked like producing a weakened, left-leaning minority government. The krona dropped from SKr4.636 to SKr4.717 against the D-Mark.

The Danish central bank again intervened for its embattled krone.

The dollar bounced off technical support at DM1.6740 to the D-Mark, after falling sharply early in the day. The currency closed in London 0.9 pfg down at DM1.683. Against the yen, it rose Y0.6 to Y133.4. The D-Mark gained Y0.78 against the yen to Y79.30.

■ It was no great shock when some of the shakier emerging markets nations imposed capital controls to stop foreigners taking their money out at will. Russia and Malaysia were never free-market fanatics. However, it came as a surprise to hear yesterday that Germany might follow suit.

Oskar Lafontaine, tipped to become finance minister, if the Social Democratic Party win Sunday's general election, said it was time to control run-away currency speculation. Free exchange rates were a mistake, he told Reuters, because they "opened a global casino within which there is speculation everywhere, regardless of international developments." He said his ideas fitted a proposal by Paul Volcker, head of the Bretton Woods Commission, which calls for closer ties between the dollar, yen and euro.

Mr Lafontaine's comments went far further than proposals by Tony Blair, UK prime minister, to increase openness in financial markets.

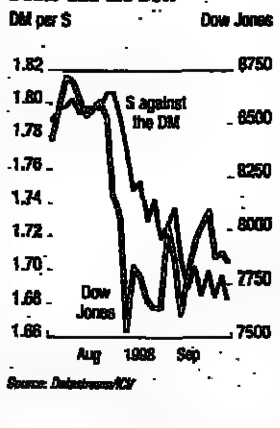
■ Brazil, which has been suffering more than Germany from free flows of capital, said yesterday that it would not impose exchange controls. Pedro Malan, finance minister, pledged: "Brazil will not impose controls on capital flight. It will not carry out any one-time currency devaluation of the real." About $15bn has left Brazil already this month, after $12bn fled in August.

Mr Malan seems to think that the US is about to save the real. "I believe that on September 29 the Fed will announce a reduction in interest rates," he said. Perhaps he knows something.

■ Helmut Kohl must feel sometimes that nobody cares. After 16 years as German chancellor he seems likely to be voted out of office on Sunday, but the currency market is not paying attention. Even the prospect that he might be replaced by an unstable "grand coalition" between Left and Right is failing to put people off the D-Mark.

Avinash Persaud, global head of foreign exchange at J.P. Morgan in London, explains that since the independent European central bank will soon be setting monetary policy, the relevance of German politics to currencies is slight.

What seems to be worrying the market more is the idea that the European economies are slowing down. Carl Weinberg, chief economist at High Frequency Economics in New York, notes Germany's flat retail sales, flagging exports, and the recent weak Ifo survey of business confidence. "All evidence points to a slowdown," he said. Mr Persaud said investors were still unable to gauge the relative degrees of damage to Europe and the US from the global market turmoil.



■ POUND IN NEW YORK

Sep 18	—Latest—	– Prev. close –
£ spot	1.6845	1.6815
1 mth	1.6821	1.6791
3 mth	1.6769	1.6740
1 yr	1.6575	1.6535

■ OTHER CURRENCIES

Sep 21	£	$
Czech Rp	51.3063 - 52.0178	30.8650 - 30.8890
Hungary	355.080 - 359.068	210.950 - 210.060
Iran	5052.50 - 5050.20	3000.00 - 3000.00
Kuwait	0.5114 - 0.5121	0.3038 - 0.3040
Peru	5.1041 - 5.1122	3.0320 - 3.0350
Poland	6.0535 - 6.0622	3.5960 - 3.5990
Russia	31.0846 - 34.1081	19.0000 - 20.2500
U.A.E.	6.1828 - 6.1870	3.6728 - 3.6731

POUND SPOT FORWARD AGAINST THE POUND

Sep 21		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	19.9365	-0.119	284 - 446	19.9970	19.8716	19.8726	3.8	19.7487	3.7	19.309	3.1	103.9
Belgium	(BFr)	58.4364	-0.3719	769 - 958	58.6060	58.2870	58.2512	3.8	57.8865	3.8	56.6081	3.1	103.7
Denmark	(DKr)	10.8080	-0.0599	031 - 128	10.8399	10.7714	10.805	0.3	10.7824	0.9	10.7336	0.7	107.3
Finland	(FM)	8.6275	-0.0542	215 - 334	8.6520	8.6020	8.6005	3.8	8.5462	3.8	8.3546	3.2	82.8
France	(FFr)	9.5004	-0.0568	967 - 041	9.5282	9.4746	9.4702	3.8	9.411	3.8	9.2018	3.1	107.4
Germany	(DM)	2.8333	-0.017	322 - 343	2.8471	2.8230	2.8243	3.8	2.8063	3.8	2.7441	3.1	105.7
Greece	(Dr)	489.661	-0.234	432 - 891	490.621	485.257	492.056	-5.9	497.079	-6.1	515.393	-5.3	80.5
Ireland	(I£)	1.1329	-0.0064	306 - 351	1.1351	1.1308	1.1316	1.2	1.1301	1.7	1.1021	2.8	98.2
Italy	(L)	2799.15	-17.57	798 - 032	2810.99	2790.46	2793.81	2.2	2782.91	2.3	2723.2	2.7	78.6
Luxembourg	(LFr)	58.4364	-0.3719	769 - 958	58.6060	58.2870	58.2512	3.8	57.8865	3.8	56.6081	3.1	103.7
Netherlands	(Fl)	3.1949	-0.0196	932 - 966	3.2030	3.1845	3.1842	4.0	3.1635	3.9	3.0927	3.2	103.3
Norway	(NKr)	12.6072	-0.0286	015 - 128	12.6544	12.4826	12.7158	-0.8	12.6258	-0.6	12.6302	-0.2	93.3
Portugal	(Es)	290.369	-1.731	218 - 559	291.533	288.426	289.663	3.0	288.124	3.1	281.732	3.0	92.9
Spain	(Pta)	240.545	-1.664	390 - 701	241.210	239.820	239.988	2.8	238.775	2.9	233.507	2.9	77.8
Sweden	(SKr)	13.3640	+0.1503	558 - 721	13.4336	13.1670	13.3307	3.0	13.2682	2.9	13.0773	2.1	81.3
Switzerland	(SFr)	2.3300	-0.0146	285 - 315	2.3413	2.3188	2.3185	3.9	2.2961	3.8	2.214	5.0	104.7
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	102.7
Ecu	-	1.4428	-0.0077	419 - 436	1.4457	1.4343	1.4391	3.1	1.4316	3.1	1.4001	3.0	-
SDR†	-	1.228810	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6837	-0.0007	831 - 842	1.6864	1.6763	-	-	-	-	-	-	-
Brazil	(R$)	1.9894	-0.0002	886 - 901	1.9954	1.9807	-	-	-	-	-	-	-
Canada	(C$)	2.5670	-0.0095	560 - 680	2.5786	2.5549	2.5634	1.7	2.5558	1.0	2.5279	1.5	77.0
Mexico	(New Peso)	17.3610	+0.2282	390 - 830	17.4589	17.0898	17.6025	-30.0	18.0338	-30.2	21.4872	-25.1	-
USA	($)	1.6839	-0.0012	834 - 844	1.6893	1.6771	1.6814	1.7	1.6763	1.8	1.657	1.5	109.3
Pacific/Middle East/Africa													
Australia	(A$)	2.8723	+0.016	702 - 744	2.8863	2.8666	2.8688	2.4	2.8654	2.4	2.8186	1.8	78.9
Hong Kong	(HK$)	13.0468	-0.0073	425 - 511	13.0879	12.9948	13.0582	-1.1	13.1125	-2.0	13.5218	-3.6	-
India	(Rs)	71.5574	-0.091	277 - 870	71.7870	71.3100	-	-	-	-	-	-	-
Indonesia	(Rupiah)	18691.32	-12.76	157 - 108	18786.00	18567.50	18858.47	-10.0	21414.37	-58.3	28168.22	-50.7	-
Israel	(Shk)	6.4586	-0.0114	450 - 636	6.4687	6.4494	-	-	-	-	-	-	-
Japan	(Y)	224.685	+0.885	540 - 817	225.230	222.910	223.286	7.5	220.723	7.0	210.216	6.4	113.6
Malaysia	(M$)	6.3989	-0.0044	960 - 007	6.4008	6.3989	-	-	-	-	-	-	-
New Zealand	(NZ$)	3.3521	+0.0164	487 - 554	3.3788	3.3370	3.3475	1.7	3.3392	1.5	3.3274	0.7	89.7
Philippines	(Peso)	74.6611	+0.7073	905 - 718	74.8721	74.4805	75.2023	-8.4	76.2384	-8.3	81.2258	-8.8	-
Saudi Arabia	(SR)	6.3157	-0.0045	136 - 178	6.3359	6.2914	6.3115	0.8	6.3014	0.9	6.2726	0.7	-
Singapore	(S$)	2.9191	+0.0146	165 - 216	2.9345	2.9082	2.9136	2.2	2.9022	2.3	2.8654	1.8	-
South Africa	(R)	10.3131	-0.0373	050 - 203	10.3596	10.2620	10.4936	-14.9	10.6646	-13.6	11.7225	-13.7	-
South Korea	(Won)	2344.65	+6.25	983 - 074	2350.13	2323.06	-	-	-	-	-	-	-
Taiwan	(T$)	58.1443	-0.0422	211 - 674	58.3248	57.9136	58.1446	0.0	58.2244	-0.6	58.8011	-1.2	-
Thailand	(Bt)	68.5348	-0.0047	302 - 393	68.6710	68.1240	68.6042	-1.2	69.2299	-4.1	73.4063	-7.1	-

† Rates for Sep 18. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. The exchange rates printed in this table are also available on the internet at http://www.FT.com.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Sep 21		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P. Morgan index
Europe													
Austria	(Sch)	11.8396	-0.0625	392 - 400	11.9037	11.7780	11.8187	2.1	11.782	1.9	11.653	1.6	103.7
Belgium	(BFr)	34.7030	-0.197	920 - 140	34.9200	34.5600	34.643	2.1	34.533	2.0	34.163	1.8	103.6
Denmark	(DKr)	6.4184	-0.0312	174 - 194	6.4584	6.3824	6.4259	-1.4	6.4324	-0.9	6.4777	-0.9	105.4
Finland	(FM)	5.1235	-0.0287	215 - 256	5.1576	5.0982	5.1148	2.0	5.0983	2.0	5.042	1.6	82.2
France	(FFr)	5.6419	-0.0299	414 - 424	5.6752	5.6146	5.632	2.1	5.6142	2.0	5.5533	1.6	107.0
Germany	(DM)	1.6826	-0.0089	824 - 127	1.6960	1.6738	1.6797	2.1	1.6742	2.0	1.6581	1.6	105.2
Greece	(Dr)	290.790	+0.06	740 - 840	291.530	288.430	292.64	-7.8	296.54	-7.9	311.04	-7.0	80.7
Ireland	(I£)	1.4864	+0.0074	859 - 869	1.4915	1.4780	1.4856	0.6	1.4859	0.1	1.5022	-1.1	-
Italy	(L)	1662.30	-9.3	210 - 250	1675.20	1654.08	1661.59	0.6	1660.18	0.5	1643.45	1.1	76.6
Luxembourg	(LFr)	34.7030	-0.197	780 - 280	34.9200	34.5600	34.643	2.1	34.533	2.0	34.163	1.8	103.6
Netherlands	(Fl)	1.8973	-0.0104	969 - 977	1.9126	1.8876	1.8937	2.3	1.8872	2.1	1.8664	1.6	103.0
Norway	(NKr)	7.4869	-0.012	859 - 879	7.5167	7.4357	7.5027	-2.5	7.5319	-2.4	7.6223	-1.8	92.7
Portugal	(Es)	172.450	-0.91	400 - 500	173.790	171.740	172.287	1.1	171.885	1.3	170.025	1.4	93.3
Spain	(Pta)	142.850	-0.89	800 - 900	143.720	142.220	142.725	1.1	142.445	1.1	140.97	1.3	77.6
Sweden	(SKr)	7.9363	+0.0946	328 - 398	7.9679	7.8450	7.928	1.3	7.9153	1.1	7.8921	0.6	82.4
Switzerland	(SFr)	1.3837	-0.0077	832 - 842	1.3953	1.3740	1.3788	4.2	1.3698	4.0	1.3361	3.4	108.3
UK	(£)	1.6839	-0.0012	834 - 844	1.6893	1.6771	1.6814	1.7	1.6763	1.8	1.657	1.6	102.7
Ecu	-	1.1672	+0.0084	668 - 675	1.1750	1.1609	1.1686	-1.4	1.1711	-1.3	1.1836	-1.4	-
SDR†	-	0.73015	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9999	+0.0003	998 - 999	0.9999	0.9998	-	-	-	-	-	-	-
Brazil	(R$)	1.1814	+0.0008	813 - 815	1.1814	1.1810	-	-	-	-	-	-	-
Canada	(C$)	1.5245	-0.004	242 - 247	1.5280	1.5186	1.5248	-0.1	1.5248	-0.1	1.5255	-0.1	78.9
Mexico	(New Peso)	10.3100	+0.1425	000 - 200	10.3280	10.2280	10.635	-37.8	11.255	-38.2	14.16	-37.3	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	110.7
Pacific/Middle East/Africa													
Australia	(A$)	1.7058	+0.0107	050 - 066	1.7138	1.7015	1.705	0.6	1.7024	0.8	1.6917	0.8	78.6
Hong Kong	(HK$)	7.7480	+0.001	477 - 482	7.7482	7.7475	7.766	-2.8	7.8225	-3.8	8.1605	-5.3	-
India	(Rs)	42.4950	-0.025	900 - 000	42.5220	42.4870	42.925	-12.1	43.745	-11.8	46.99	-10.6	-
Indonesia	(Rupiah)	11100.08	-	000 - 000	11200.00	10955.18	11660	-59.8	12775	-60.4	17000	-53.2	-
Israel	(Shk)	3.8343	-0.0042	313 - 373	3.8424	3.8303	-	-	-	-	-	-	-
Japan	(Y)	133.450	+0.605	430 - 470	133.720	132.420	132.79	5.6	131.675	5.3	126.925	4.8	116.0
Malaysia	(M$)	3.8000	-	000 - 000	3.8000	3.8000	-	-	-	-	-	-	-
New Zealand	(NZ$)	1.9908	+0.011	893 - 920	2.0028	1.9861	1.9937	-1.8	1.9991	-1.7	2.0179	-1.4	-
Philippines	(Peso)	44.3500	+0.45	500 - 500	44.4500	44.2500	44.724	-10.1	45.481	-10.2	49.0196	-10.5	-
Saudi Arabia	(SR)	3.7507	-0.0001	505 - 508	3.7508	3.7505	3.7508	-0.9	3.7606	-0.9	3.7857	-0.9	-
Singapore	(S$)	1.7336	+0.011	325 - 346	1.7396	1.7210	1.7326	0.6	1.7313	0.5	1.7292	0.2	-
South Africa	(R)	6.1245	-0.018	220 - 270	6.1405	6.1200	6.206	-15.8	6.362	-15.5	7.0746	-15.5	-
South Korea	(Won)	1392.50	+8.5	000 - 500	1395.50	1385.00	-	-	-	-	-	-	-
Taiwan	(T$)	34.5295	-0.0015	260 - 330	34.5800	34.5250	34.5795	-1.7	34.7345	-2.4	35.5045	-2.8	-
Thailand	(Bt)	40.7000	+0.025	500 - 500	40.7500	40.6000	40.8	-2.9	41.3	-5.9	44.3	-8.8	-

† SDR rate per $ for Sep 18. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Sep 18: Base average 1990=100. Bid, offer, mid spot rates and forward rates in both this and the Dollar table are derived from THE WM/REUTERS CLOSING SPOT and FORWARD RATE services. Some values are rounded by the F.T.
The exchange rates printed in this table are also available on the internet at http://www.FT.com

WORLD INTEREST RATES

MONEY RATES

Sep 21	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	3½	3½	3½	3⅝	3⅝	6.00	2.75	–
France	3⅜	3⅜	3½	3⅜	3⅜	4.60	–	3.30
Germany	3⅝	3⅝	3⅝	3⅝	3⅝	4.50	2.50	3.30
Ireland	6¼	6¼	5⅝	4¾	4½	–	–	6.19
Italy	5½	5	4⅞	4⅝	4⅝	5.50	5.00	5.16
Netherlands	3	3⅜	3⅜	4¼	4⅛	–	2.75	3.30
Switzerland	1¼	1⅝	1⅝	1⅝	1⅝	–	1.00	–
US	5⅝	5⅝	5⅝	5¼	5¼	–	5.00	–
Japan	½	¼	⅛	⅛	⅛	–	0.50	–
■ $ LIBOR BBA Lending								
Interbank Fixing	–	5⅝	5½	5⅜	5⅛	–	–	–
US Dollar CDs	–	5.31	5.29	5.18	5.01	–	–	–
ECU Linked Ds	–	4¼	4⅛	3⅞	3⅞	–	–	–
SDR Linked Ds	–	3⅞	3⅞	3⅞	3⅞	–	–	–

London interbank fixing rate (LIBOR) at the BBA London rate, fixed at 11am.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Sep 21	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	3⅝ - 3½	3⅝ - 3½	3⅝ - 3½	3⅝ - 3½	3⅝ - 3½	3⅝ - 3½
Danish Krone	4 - 3¾	7 - 6	7½ - 6½	6⅝ - 5⅝	6½ - 5½	7 - 6
German Mark	3⅝ - 3½	3⅝ - 3½	3⅝ - 3½	3⅝ - 3½	3⅝ - 3½	3⅝ - 3½
Dutch Guilder	3 - 2¾	3½ - 3⅜	3⅝ - 3½	3⅝ - 3½	4⅛ - 4	4¼ - 4⅛
French Franc	3⅝ - 3½	3¾ - 3⅝	3⅝ - 3⅜	3⅝ - 3½	3⅝ - 3½	3¾ - 3⅝
Portuguese Esc.	4⅝ - 4½	4⅝ - 4½	4¾ - 4⅝	4⅝ - 4½	4½ - 4⅜	3⅞ - 3¾
Spanish Peseta	4⅝ - 4½	4⅝ - 4½	4⅝ - 4½	4⅜ - 4¼	4⅛ - 3⅞	3⅞ - 3¾
Sterling	7 - 6¾	7¾ - 7⅝	7¾ - 7⅝	7¾ - 7⅝	7⅝ - 7½	6⅞ - 6¾
Swiss Franc	1¼ - 1	1⅝ - 1½	1⅝ - 1½	1⅝ - 1½	1⅝ - 1½	1⅝ - 1½
Canadian Dollar	5⅞ - 5¾	5¾ - 5⅝	5¾ - 5⅝	5⅝ - 5½	5⅝ - 5½	5⅝ - 5½
US Dollar	5⅝ - 5½	5⅝ - 5½	5⅝ - 5½	5⅝ - 5½	5¼ - 5⅛	5¼ - 5⅛
Italian Lira	5¼ - 5	5¼ - 4⅞	5¼ - 4⅞	4⅞ - 4¾	4¾ - 4⅝	4¼ - 3⅞
Japanese Yen	½ - ¼	½ - ¼	½ - ¼	½ - ¼	½ - ¼	½ - ¼
Asian $Sing	½ - ¼	5¼ - 4¾	4⅞ - 4⅝	4⅞ - 4⅝	4⅞ - 4⅝	5 - 4¾

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	96.505	96.435	+0.005	96.510	96.475	6,938	82,254
Mar	96.510	96.485	+0.010	96.490	96.400	2,147	53,877

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Oct	96.468	96.460	-	96.475	96.460	630	15154
Mar	96.495	96.485	+0.020	96.520	96.475	40265	307728
Jun	96.470	96.465	+0.035	96.495	96.450	29167	296407
Sep	96.440	96.440	+0.040	96.475	96.425	18888	223567

■ ONE MONTH EUROMARK FUTURES (LIFFE)* DM3m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Oct		96.555	+0.010			0	0
Nov		-				0	0

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	96.200	96.180	-0.040	96.230	96.160	24497	163264
Mar	96.490	96.450	+0	96.490	96.450	3456	365687
Jun	96.420	96.430	+0.020	96.460	96.420	1635	66453
Sep	96.410	96.410	+0.030	96.440	96.400	1475	41200

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	98.350	98.350	+0.010	98.410	98.340	14937	70211
Mar	98.350	98.360	+0.020	98.400	98.350	5632	38977
Jun	98.250	98.290	+0.040	98.310	98.250	960	22598
Sep	98.140	98.180	+0.050	98.220	98.140	885	15563

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec		99.40	-0.04			0	n/a
Mar		99.43	-0.03			0	n/a
Jun		99.45	-0.03			0	n/a

* LIFFE futures also traded on APT

■ THREE MONTH EURO FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Nov		95.885	-			0	0
Mar	96.495	96.475	+0.020	96.495	96.465	29	5184
Jun	96.475	96.456	+0.035	96.475	96.475	19	1963
Sep		96.430	+0.040			0	1333

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
96125	0.160			0.125		
96250	0.100	0.300	0.330	0.190	0.100	0.160
96375	0.060			0.275		

Est. vol. total, Calls 200 Puts 1940. Previous day's open int., Calls 69660 Puts 70063

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Sep 21		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.50	16.26	4.849	1.939	4790	5.467	21.57	496.9	411.6	22.87	3.987	1.711	4.393	2.882	384.5	2.469
Denmark	(DKr)	54.07	10	8.790	2.622	1.048	2590	2.956	11.66	268.7	222.5	12.36	2.156	0.925	2.375	1.558	207.9	1.335
France	(FFr)	61.51	11.38	10	2.982	1.192	2946	3.363	13.27	305.7	253.2	14.07	2.453	1.053	2.702	1.772	236.5	1.519
Germany	(DM)	20.62	3.815	3.353	1	0.400	987.9	1.128	4.450	102.5	84.90	4.717	0.822	0.353	0.906	0.594	79.30	0.509
Ireland	(I£)	51.58	9.540	8.386	2.501	1	2471	2.820	11.13	256.3	212.3	11.80	2.057	0.883	2.266	1.486	198.3	1.273
Italy	(L)	2.088	0.386	0.339	0.101	0.040	100	0.114	0.450	10.37	8.594	0.477	0.083	0.036	0.092	0.060	8.027	0.052
Netherlands	(Fl)	18.29	3.383	2.974	0.887	0.355	876.1	1	3.946	90.89	75.29	4.183	0.729	0.313	0.804	0.527	70.33	0.452
Norway	(NKr)	46.35	8.573	7.536	2.247	0.899	2220	2.534	10	230.3	190.8	10.60	1.848	0.793	2.036	1.336	178.2	1.144
Portugal	(Es)	20.12	3.722	3.272	0.976	0.390	963.9	1.100	4.342	100	82.84	4.602	0.802	0.344	0.884	0.580	77.37	0.497
Spain	(Pta)	24.29	4.493	3.950	1.178	0.471	1164	1.328	5.241	120.7	100	5.556	0.969	0.416	1.067	0.700	93.41	0.600
Sweden	(SKr)	43.73	8.087	7.108	2.120	0.848	2095	2.391	9.434	217.3	180.0	10	1.744	0.748	1.921	1.260	168.1	1.080
Switzerland	(SFr)	25.08	4.639	4.077	1.216	0.486	1201	1.371	5.411	124.6	103.2	5.736	1	0.429	1.102	0.723	96.43	0.619
UK	(£)	58.44	10.81	9.500	2.833	1.133	2799	3.195	12.61	290.4	240.5	13.36	2.330	1	2.567	1.684	224.7	1.443
Canada	(C$)	22.76	4.210	3.701	1.104	0.441	1090	1.245	4.911	113.1	93.70	5.205	0.908	0.390	1	0.656	87.52	0.562
USA	($)	34.70	6.418	5.642	1.683	0.673	1662	1.897	7.487	172.5	142.9	7.936	1.384	0.594	1.525	1	133.4	0.857
Japan	(Y)	26.01	4.810	4.228	1.261	0.504	1246	1.422	5.611	129.2	107.1	5.948	1.037	0.445	1.143	0.749	100	0.642
Ecu	–	40.51	7.492	6.585	1.964	0.785	1940	2.215	8.739	201.3	166.7	9.263	1.615	0.693	1.779	1.167	155.7	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.5926	0.5989	+0.0063	0.6004	0.5926	21,269	143,929
Mar	–	0.6015	+0.0066	0.6020	–	30	190
Jun	–	0.6040	+0.0069	0.6040	–	42	148

■ JAPANESE YEN FUTURES (IMM) Yen 12.5m per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.7584	0.7630	–0.0007	0.7647	0.7571	20,800	74,773
Mar	0.7700	0.7735	–0.0001	0.7735	0.7687	82	2,065
Jun	–	0.7831	–	–	–	2	566

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.7236	0.7324	+0.0063	0.7346	0.7236	12,425	59,044
Mar	0.7375	0.7395	+0.0062	0.7395	0.7375	17	110
Jun	–	0.7442	+0.0060	0.7442	–	2	3

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	1.6704	1.6812	+0.0046	1.6822	1.6700	4,222	50,833
Mar	1.6736	1.6760	+0.0076	1.6760	1.6736	2	31
Jun	–	1.6818	–	–	–	1	204

UK INTEREST RATES

LONDON MONEY RATES

Sep 21	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	7½ - 6	7⅝ - 7½	7¾ - 7⅝	7⅝ - 7½	7⅝ - 7½	7¼ - 6⅞
Sterling CDs	-	-	7⅝ - 7½	7⅝ - 7½	7½ - 7⅜	7⅛ - 7
Treasury Bills	-	-	7½ - 7⅜	7⅜ - 7¼	-	-
Bank Bills	-	-	7½ - 7⅜	7⅜ - 7¼	7⅛ - 7	-
Local authority deps.	7 - 6⅝	7½ - 7⅜	7⅝ - 7½	7⅝ - 7½	7½ - 7⅜	6⅞ - 6¾
Discount Market deps	7½ - 7¼	7½ - 7⅜	-	7⅛ -	-	-

UK clearing bank base lending rate 7½ per cent from Jun 4, 1998

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	4	6.5	6.5	6.25	6.25

Certs of Tax dep. under £100,000 is 4pc. Deposits withdrawn for cash 2pc.
Ave. tender rate of discount on Sep 4, 7.0884pc. ECGD fixed rate Stg. Export Finance. Make up day Aug 28, 1998. Agreed rate for period Sep 23, 1998 to Oct 25, 1998, Scheme III 8.98pc. Reference rate for period Aug 1, 1998 to Aug 28, 1998, Schemes IV & V 7.740pc. Finance House Base Rate 8pc from Sep 1, 1998

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	92.940	92.940	+0.030	92.960	92.920	31163	185866
Mar	93.380	93.380	+0.040	93.420	93.350	23945	160978
Jun	93.670	93.710	+0.060	93.750	93.650	27608	152777
Sep	93.830	93.850	+0.070	93.900	93.810	15673	125583
Dec	93.850	93.870	+0.060	93.900	93.830	16159	144857

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
92750	0.275	0.700	1.085	0.085	0.070	0.065
92875	0.200			0.135		
93000	0.140	0.500	0.815	0.200	0.120	0.105
93125	0.095			0.280		
93250	0.065	0.345	0.620	0.375	0.215	0.160
93375	0.040			0.475		

Est. vol. total, Calls 8040 Puts 16768. Previous day's open int., Calls 458868 Puts 473509

EMS EUROPEAN CURRENCY UNIT RATES

Sep 21	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Greece	357.000	338.808	+1.86	–5.10	4.66	34
Ireland	0.796244	0.784430	–0.000113	–1.48	0.85	10
Italy	1957.61	1938.52	–1.12	–0.98	0.33	7
Spain	168.220	166.572	–0.165	–0.98	0.33	7
Denmark	7.54257	7.47684	–0.00677	–0.87	0.22	6
France	6.63186	6.57658	–0.00427	–0.83	0.18	7
Germany	1.97738	1.96129	–0.00122	–0.81	0.18	6
Portugal	202.692	201.057	–0.131	–0.81	0.16	6
Austria	13.9119	13.8008	–0.008	–0.80	0.15	6
Belgium	40.7844	40.4687	–0.0265	–0.78	0.14	6
Netherlands	2.22799	2.21166	–0.00151	–0.73	0.08	5
Finland	6.01125	5.97215	–0.00368	–0.65	0.00	4
NON ERM MEMBERS						
UK	0.653644	0.692347	+0.002665	5.92	–6.39	–

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. 17/9/92: Sterling suspended from ERM. 16/3/98: Drachma joined ERM & Punt revalued by 3%. Other central rates adjusted. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Oct	CALLS Nov	CALLS Dec	PUTS Oct	PUTS Nov	PUTS Dec
1.650	1.88	2.20	2.61	1.65	2.40	2.92
1.680	1.22	1.75	-	2.23	2.93	-
1.700	0.87	1.38	1.73	2.82	-	-

Previous day's vol., Calls 5 Puts 9 . Prev. day's open int., Calls 2,400 Puts 8,099

■ PHILADELPHIA SE D-MARK/$ OPTIONS DM62,500 ($ per DM)

Strike Price	CALLS Sep	CALLS Oct	CALLS Nov	PUTS Sep	PUTS Oct	PUTS Nov
0.585	1.28	1.57	1.77	0.46	0.67	0.81
0.590	0.97	1.27	1.46	0.66	0.87	1.08
0.595	0.71	1.01	1.23	0.90	1.12	1.30

Previous day's vol., Calls 60 Puts 21 . Prev. day's open int., Calls 1,086 Puts 3,445

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	94.77	94.80	+0.04	94.83	94.77	53,769	471,915
Mar	95.04	95.09	+0.05	95.11	95.04	85,836	481,940
Jun	95.13	95.18	+0.06	95.20	95.13	55,710	387,789

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	95.63	95.65	+0.06	95.66	95.63	65	1,309
Mar	–	95.88	+0.05	95.88	–	1	141
Jun	–	95.85	+0.02	95.85	–	42	22

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Oct	CALLS Nov	CALLS Dec	CALLS Mar	PUTS Oct	PUTS Nov	PUTS Dec	PUTS Mar
96375	0.095	0.085	0.120		0.040	0.060	0.085	
96500	0.020	0.040	0.065	0.165	0.120	0.140	0.165	0.180
96625	0.005	0.015	0.045		0.230	0.240	0.270	
96750	0	0.005	0.025	0.075	0.350	0.355	0.375	0.340

Est. vol. total, Calls 19519 Puts 5567. Previous day's open int., Calls 237423 Puts 306549

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
98500	0.070	0.140	0.175	0.220	0.280	0.395
98625	0.040			0.315		

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 13155 Puts 4372

BASE LENDING RATES

	%		%		%
Adam & Company	7.50	Exeter Trust Limited	8.50	Smith & Williamson	7.50
Allied Irish Bank (GB)	7.50	Financial & Gen Bank	8.00	Sun Bank	7.50
●Henry Ansbacher	7.50	●Robert Fleming & Co	7.50	TSB	7.50
Banco Bilbao Vizcaya	7.50	Habib Bank AG Zurich	7.50	United Bank of Kuwait	7.50
Bank of Cyprus	7.50	Heritable & Gen Inv Bk	7.50	Unity Trust Bank Plc	7.50
Bank of Ireland	7.50	C. Hoare & Co	7.50	Whiteaway Laidlaw	7.50
Bank of India	7.50	●Hambros Bank	7.50	Yorkshire Bank	7.50
Bank of Scotland	7.50	Hongkong & Shanghai	7.50		
Barclays Bank	7.50	Investec Bank (UK) Ltd	7.50	● Members of London Investment Banking Association	
Brit Bk of Mid East	7.50	Julian Hodge Bank	7.50		
●Brown Shipley & Co Ltd	7.50	●Leopold Joseph & Sons	7.50		
Citibank NA	7.50	Lloyds Bank	7.50		
Clydesdale Bank	7.50	Midland Bank	7.50		
The Co-operative Bank	7.50	NatWestminster	7.50		
Coutts & Co	7.50	●Rea Brothers	7.50		
Cyprus Popular Bank	7.50	Royal Bk of Scotland	7.50		
Duncan Lawrie	7.50	Scottish Widows Bank	7.50		
		●Singer & Friedlander	7.50		

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COMMODITIES & AGRICULTURE

Liffe to allow bulk cocoa deliveries

By Paul Solman

The London International Financial Futures and Options Exchange is to allow bulk delivery of cocoa against its cocoa futures contracts.

This is one of several contract changes announced yesterday. Others include a premium for high-quality cocoa, a one-day notice period for physical delivery and a test for consistency.

The changes will take effect from the May 2000 contract which starts trading on October 1 this year.

"Liffe's cocoa contract has been traded since the 1930s and Liffe has maintained the 10-tonne trading unit for deliveries against the contract," said Peter Blogg, commodity products development manager at Liffe. "However, larger and larger amounts of cocoa are being shipped in bulk and we believe that allowing delivery of bulk units against the contract will give it a broader range of appeal."

The 10-tonne standard delivery unit, or lot, in bags will be maintained, but Liffe is adding a "large" unit of 100 tonnes in bags and a "bulk" unit of 1,000 tonnes in flat storage.

The futures exchange is also broadening the range of cocoa that may be delivered against its contracts. Mr Blogg said premium payments would reward suppliers for better quality shipments, while there would be discounts for poor quality.

"It's important to send the message that we value well-prepared, good quality cocoa," he said.

Current procedures mean cocoa is checked for weight, quality and infestation. Under the new measures, a homogeneity test will be carried out to ensure that large shipments are of consistent quality.

Mr Blogg said Liffe had carried out nine months of extensive research and consultation within the industry before agreeing the contract changes.

"We reviewed the world market, settlement mechanisms, looked at methods of shipment, storage and onward transportation and consulted brokers, warehouse keepers and traders," Mr Blogg said.

"We wanted to ensure the Liffe cocoa contract remains the benchmark for trading and hedging in cocoa," he added.

Liffe's cocoa futures market volume was 1.8m contracts last year, with average daily volume at 7,340 lots.

Brighter outlook for Pakistani cotton

A bumper harvest is in prospect and prices have risen, writes Farhan Bokhari

Official forecasts predicting a bumper cotton harvest in Pakistan for the first time in nearly three years have lifted the mood among cotton producers.

The latest official estimates that Pakistan would produce 10.5m bales, more than 30 per cent up on last year, have raised the price of cotton in the domestic market by almost 15 per cent.

Unlike previous years, when news of a large crop drove prices down on expectation of an abundant supply, the trend has reversed.

Reports of crop damage after the recent floods in China have added to domestic exporters' view that prices will remain high in international markets. Officials believe the improved outlook is the result of supportive weather conditions. Efforts to tackle the widespread adulteration of cotton crop pesticides and educating farmers on farming techniques have also helped.

In the villages outside Multan, the capital of the cotton growing belt, farmers spend part of their evenings watching the popular *Sona aur Chandi* television show.

The programme is based on a farming couple dealing with occasional crises between good harvests. It is a comedy soap opera but includes serious discussions on farming techniques.

"We have tried giving useful messages that weren't conveyed in the past," said Jehangir Tarin, chairman of the provincial task force on agriculture for Punjab province, where almost 80 per cent of the crop is grown. "One of our main messages is, 'do not spray blindly, because in the process you also destroy pests that are friendly'."

The government says the deployment of up to 5,000 pest traps on cotton farms has also helped to step up monitoring for evidence of imminent pest attacks.

Mr Tarin says this year's campaign against traders diluting pesticides to make them stretch further has made a difference.

"The bad guys just fled," says Mr Tarin. The number of pesticide dealers in the Punjab has fallen from 15,000 to about 6,000.

However, critics warn that initial crop estimates could have been exaggerated to lift cotton prices in the short term. Although agriculture department collects data from fields, it is a huge undertaking covering almost 6.7m acres of land in the Punjab and Sindh.

"Without sophisticated techniques like satellite imaging, nobody can do the task without a large margin of error," says one scientist.

Some farmers also criticise Pakistan's cotton research establishment, arguing that scientists must be held accountable for their failure to introduce seed varieties resistant to pest attacks.

Some believe research standards have fallen because of infighting among researchers and that scientists becoming embroiled in politics through seeking patronage from ruling politicians has affected standards.

Abrar Khakwani, a farmer with 300 acres of crop land outside Multan, says: "Our researchers must be asked: 'Why have you not produced new varieties well in time to anticipate upcoming problems?' Our cotton research institutions need to go through a major overhaul."

Siddique Akbar Bukhari, another farmer, says scientists have failed to "remain ahead of the game, to produce varieties that are pest-resistant and ultimately to become self-sufficient rather than relying on imported crop varieties for acclimatisation to local conditions".

But Mr Tarin says that in spite of some problems, the government has made a fresh start this year. He has promised to focus next year on improving the quality of raw cotton, which suffers from a 15-20 per cent price discount because of contamination after picking.

The result of many such efforts could set the pace for the Pakistan economy. Its leaders, fighting to stave off an impending foreign debt crisis, have promised to balance its international trade deficit by the end of the current financial year.

Many experts say the outlook for the cotton crop could set the pace for Pakistan's trade performance in years to come.

Pick of the crop: the outlook for cotton could set the pace for Pakistan's trade performance

Gold lifted by short covering

MARKETS REPORT

By Kenneth Gooding, Robert Corzine and Paul Solman

President Bill Clinton's "video nasty", as it was dubbed by some traders, slowed business in the metals markets.

Gold was a little higher in London because of short-covering ahead of the president's televised testimony in the Monica Lewinsky affair, traders suggested.

In the afternoon in London, gold's price was "fixed" at $292.95 a troy ounce against $290.10 on Friday afternoon.

Platinum and palladium closed lower on the London bullion market in spite of news that 450 union members had been locked out of Impala Platinum's refineries complex in South Africa.

Crude oil prices continued to firm as Caribbean storms threatened to disrupt refineries.

Brent Blend for November delivery was quoted at $14.35 a barrel in late trading on London's International Petroleum Exchange, 16 cents up on Friday's close.

Amerada Hess announced that its 545,000 barrel-a-day refinery on St Croix in the US Virgin Islands – the biggest in the western hemisphere – had shut because of the hurricane threat.

The price boost will please producers, but the latest report from the Centre for Global Energy Studies in London warned that weak demand continued to undermine prices.

Coffee prices fell, with the benchmark second-position November contract on the London International Financial Futures Exchange down $40 at $1,558 a tonne.

Brazil's 1998-99 crop is estimated at 35m bags against 33m the previous year, and Colombian production is ahead of expectations.

Russian crisis expected to hit poultry trade

By Paul Solman

Russia's financial crisis and currency devaluation are likely to hit the global market for poultry meat this year, according to the UN Food and Agriculture Organisation.

Russian and Chinese imports have fuelled expansion in meat trading during the 1990s, the FAO said in its latest Food Outlook report.

"Large purchases of poultry by the Russian Federation during the first months of the year are forecast to come to a halt during the last quarter, following the currency devaluation last August and the tightening of import tariff collection," the FAO said. China is lowering poultry imports because of larger domestic supplies and slackening demand.

As a result, world trade in poultry meat is forecast to rise by only 1 per cent to 6m tonnes in 1998.

International prices for poultry have averaged 15 per cent less from January to May this year compared with the same period in 1997, the FAO said. "An even steeper fall could occur during the rest of the year, depending on the effects of the financial crisis in the Russian Federation on global import demand."

The FAO puts global meat production at 219m tonnes this year, up 2 per cent.

World cereal output in 1998 is expected to fall 1 per cent from last year's record to 1,892m tonnes.

"The global stock-to-utilisation ratio in 1998-99 at 17.3 per cent would remain within the 17-18 per cent range that the FAO secretariat considers the minimum necessary to safeguard world food security," the FAO said.

However, it said food emergencies were now afflicting 40 countries, mainly due to the El Niño and La Niña weather phenomena in Africa, Latin America and Asia.

Wheat and coarse grain prices remain under pressure from favourable 1998 crop prospects and stagnant import demand.

"Export prices for wheat are now 30 per cent below a year ago and at their lowest levels since the early 1990s," the FAO said.

World fish production was 122m tonnes in 1997, virtually unchanged from the record in 1996, according to preliminary estimates.

This year, a large increase in China is expected to be mostly offset by a smaller catch in South America – also attributed to the adverse effects of El Niño.

Shrimp remains the main fish commodity traded internationally, with 20 per cent of the fish and fish products market by value, followed by tuna, at 11 per cent.

World meat exports[1]
Tonnes 000

	1996	1997	1998(E)
World	13,872	14,565	14,598
Poultry	5,384	5,941	6,020
Pig	2,662	2,575	2,488
Bovine	4,716	5,098	5,133
Sheep and goat	673	707	721
Other	236	256	236

1. Includes meat (fresh, chilled, frozen, prepared and canned) in carcase weight equivalent, excludes live animals, offal and EU intra-trade. Total computed from unrounded data. E=estimate
Source: FAO

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1306-7	1338-9
Previous	1317-18	1348.5-49
High/low		1347/1336
AM Official	1309-10	1342-43
Kerb close		1343-4
Open int.	284,597	
Total daily turnover	56,564	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1135-40	1165-70
Previous	1140-50	1170-80
High/low		1170
AM Official	1132-38	1165-70
Kerb close		1168-70
Open int.	7,420	
Total daily turnover	808	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	512.5-513.0	527.5-8.0
Previous	513-14	526-7
High/low		529/524
AM Official	514-5	526-9
Kerb close		523-4
Open int.	393.85	
Total daily turnover	10,137	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	4000-10	4070-80
Previous	4060-70	4135-40
High/low		4100/4050
AM Official	3970-75	4055-60
Kerb close		4070-75
Open int.	60,542	
Total daily turnover	15,335	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5525-35	5415-20
Previous	5500-10	5380-90
High/low		5420/5380
AM Official	5505-15	5395-400
Kerb close		5410-15
Open int.	13,241	
Total daily turnover	2,955	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	968-9	993-4
Previous	977.5-8.5	1002-03
High/low		1003/990
AM Official	977-7.5	1000.5-01
Kerb close		991-2
Open int.	88,434	
Total daily turnover	23,882	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	1619-20	1643-4
Previous	1640.5-41.5	1665-66
High/low		1650/1636
AM Official	1618-19	1642.5-43
Kerb close		1641-2
Open int.	185,370	
Total daily turnover	49,758	

■ LME AM Official £/$ rate: 1.6846
LME Closing £/$ rate: 1.6840

Spot: 1.6845 3 mths: 1.6770 6 mths: 1.6702 9 mths: 1.6636

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	74.45	-0.15	74.45	73.50	444	2,917
Oct	74.30	-0.30	75.40	73.50	281	3,480
Nov	74.55	-0.20	75.70	73.90	15	2,127
Dec	74.65	-0.15	75.95	73.70	6,724	28,577
Jan	74.85	-0.15	74.40	74.40	9	2,102
Feb	75.00	-0.15	75.10	74.60	5	1,206
Total					7,823	59,297

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	291.80-292.30		
Opening	291.60-291.90		
Morning fix	292.10	173.693	403.244
Afternoon fix	292.95	173.621	403.773
Day's High	293.50-293.80		
Day's Low	291.40-291.70		
Previous close	290.70-291.20		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.97	6 months	4.08
2 months	4.84	12 months	3.59
3 months	4.66		

Silver Fix	p/troy oz.	US cts equiv.
Spot	297.30	505.00

Silver Lending Rates

1 month	3.85	6 months	2.00
2 months	3.00	12 months	1.90
3 months	2.85		

Gold Coins	$ price	£ equiv.
Krugerrand	290-294	172-174
New Sovereign	67-71	39-41

Precious Metals continued

■ GOLD COMEX (100 Troy oz., $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	288.5	-2.7	-	-	-	-
Oct	288.8	-2.8	293.7	288.3	2,016	9,485
Dec	291.6	-2.8	296.5	290.4	25,625	79,191
Feb	293.4	-2.8	296.5	292.4	902	16,532
Apr	295.2	-2.8	300.0	294.8	409	11,243
Jun	296.9	-2.8	301.5	296.5	36	15,025
Total					29,283	174,087

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	355.1	-7.3	360.5	355.5	1,769	8,843
Jan	356.8	-7.8	361.0	356.1	598	2,442
Apr	357.8	-7.8	-	-	23	48
Jul	358.8	-7.6	-	-	-	28
Total					2,742	11,850

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	290.[illegible]	-8.15	-	-	-	90
Dec	285.05	-8.15	287.00	282.00	-	2,708
Mar	282.85	-8.15	-	-	-	328
Total					298	3,123

■ SILVER COMEX (5,000 Troy oz., Cents/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	480.7	-12.0	495.0	495.0	18	66
Dec	485.5	-12.0	505.5	484.0	6,484	52,986
Jan	487.6	-12.0	500.5	500.5	23	48
Mar	489.4	-12.0	508.0	488.0	349	9,728
May	491.4	-12.0	501.0	501.0	51	1,759
Jul	493.3	-12.0	503.0	503.0	15	2,595
Total					6,937	73,596

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Oct	15.50	+0.01	15.76	15.31	60,066	30,308
Nov	15.67	+0.05	15.88	15.48	72,190	103.3k
Dec	15.83	+0.09	16.00	15.56	33,728	81,859
Jan	15.84	+0.07	16.05	15.75	6,406	42,742
Feb	16.11	+0.10	16.12	15.90	2,665	20,277
Mar	16.14	-	16.28	15.97	1,592	18,953
Total					189,254	483,849

■ CRUDE OIL IPE ($/barrel)

	6pm price	Day's change	High	Low	Vol	Open int
Nov	14.30	+0.13	14.45	14.10	23,931	80,738
Dec	14.49	+0.13	14.60	14.26	13,622	50,410
Jan	14.60	+0.12	14.70	14.37	4,064	36,875
Feb	14.63	+0.04	14.75	14.51	1,210	14,296
Mar	14.82	+0.13	14.82	14.69	268	13,464
Apr	14.92	-	14.92	14.92	10	8,348
Total					n/a	n/a

■ HEATING OIL NYMEX (42,000 US galls., c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Oct	42.55	+0.27	43.15	42.10	14,733	31,169
Nov	43.65	+0.38	43.95	43.10	11,077	34,408
Dec	44.50	+0.23	44.95	44.15	3,958	26,155
Jan	45.25	+0.13	45.80	44.95	2,750	25,307
Feb	45.80	+0.08	46.00	45.50	2,531	18,519
Mar	45.65	+0.03	46.20	45.70	402	16,514
Total					37,897	183,215

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	129.50	+1.75	132.50	129.25	8,654	32,909
Nov	132.25	+2.25	134.50	131.50	4,442	20,948
Dec	134.00	+2.25	136.50	133.75	2,926	38,075
Jan	136.00	+2.00	138.00	135.75	592	17,045
Feb	139.00	+3.00	139.25	137.75	667	13,275
Mar	139.50	+3.00	139.50	139.00	94	8,126
Total					16,500	164,331

■ NATURAL GAS IPE (1,000 therms; pence per therm)

Oct	12.200	-0.280	12.430	12.200	1,355	3,350
Nov	13.830	-0.180	13.920	13.830	305	2,890
Total					2,990	27,550

■ NATURAL GAS NYMEX (10,000 mmBtu., $/mmBtu.)

	Latest price	Day's change	High	Low	Vol	Open int
Oct	2.200	-0.060	2.255	2.155	45,834	42,606
Nov	2.420	-0.054	2.485	2.380	22,825	36,407
Dec	2.570	-0.057	2.625	2.535	14,690	32,205
Jan	2.630	-0.043	2.675	2.595	6,678	30,195
Feb	2.505	-0.035	2.540	2.470	4,200	20,589
Mar	2.345	-0.035	2.380	2.345	2,994	18,793
Total					107,588	277,375

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Oct	45.70	+0.12	46.50	45.30	19,367	24,777
Nov	45.80	+0.22	46.25	45.40	13,566	28,810
Dec	46.10	+0.10	46.60	45.70	3,327	9,621
Jan	46.85	+0.25	47.00	46.50	484	4,399
Feb	47.50	+0.20	47.50	47.45	602	3,006
Mar	48.10	-	48.10	48.10	401	2,114
Total					38,426	87,298

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	71.25	-0.25	-	-	-	41
Nov	72.25	-0.25	73.00	72.50	98	2,600
Jan	74.20	-0.20	74.75	74.20	42	2,332
Mar	76.20	-0.20	76.60	76.60	20	1,596
May	77.90	-0.10	78.00	77.90	40	1,386
Total					200	8,014

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	256.00	+1.50	259.25	254.50	73	120
Dec	270.75	+4.75	272.00	263.50	15,606	83,742
Mar	286.25	+5.00	287.00	276.50	2,561	27,185
May	295.00	+4.50	295.50	290.00	431	5,286
Jul	305.50	+4.00	306.25	299.50	1,157	11,892
Sep	313.00	+3.00	312.50	311.00	12	407
Total					19,810	128,698

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	193.25	-0.50	194.50	191.50	1,631	489
Dec	205.25	+0.25	207.25	202.00	30,681	182,240
Mar	218.00	+0.25	219.75	215.25	4,762	82,471
May	225.50	-	227.00	223.50	1,707	23,981
Jul	231.75	-0.25	233.25	229.75	2,289	31,679
Sep	238.00	-0.75	239.00	237.25	368	5,583
Total					42,711	324,035

■ BARLEY LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	71.00	+0.25	-	-	-	-
Nov	72.00	+0.25	-	-	-	899
Jan	74.25	+0.25	74.25	74.00	15	464
Mar	75.75	+0.25	-	-	-	80
May	76.75	+0.25	-	-	-	23
Total						1,446

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	532.00	+3.00	533.00	520.00	497	450
Nov	524.00	+1.25	527.75	519.00	26,478	92,991
Jan	535.00	+1.25	538.00	530.00	2,762	25,875
Mar	544.75	+0.50	548.00	540.50	1,366	19,346
May	554.75	+0.50	557.50	551.50	848	7,504
Jul	562.75	-0.50	566.50	560.00	2,561	10,755
Total					35,212	161,468

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	25.56	-0.10	25.72	25.55	1,116	889
Oct	25.54	-0.08	25.75	25.50	7,801	25,339
Dec	25.72	-0.12	25.88	25.68	11,923	48,513
Jan	25.70	-0.08	25.80	25.61	2,181	11,112
Mar	25.50	-0.13	25.60	25.45	1,974	15,961
May	25.37	-0.09	25.45	25.30	1,363	7,924
Total					28,230	120,000

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	125.9	+2.0	126.3	122.8	2,315	791
Oct	126.1	+1.6	126.5	123.8	7,935	20,760
Dec	129.9	+1.6	130.5	127.4	10,545	67,542
Jan	132.1	+1.3	132.7	130.0	1,890	15,553
Mar	136.9	+1.5	137.4	134.6	1,112	14,416
May	140.6	+1.4	141.5	138.6	549	7,701
Total					26,864	139,080

■ POTATOES LIFFE (20 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	80.0	-	-	-	-	3
Mar	125.0	+2.0	-	-	-	-
Apr	150.0	+2.0	151.0	148.0	121	2,034
May	160.0	+2.0	-	-	-	29
Jun	170.0	+2.0	-	-	-	-
Total					121	2,034

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	905	+15	905	905	18	101
Oct	975	+25	980	970	31	498
Jan	1020	+30	1020	1005	16	407
Apr	1045	+20	-	-	-	201
Jul	930	+20	-	-	-	200
Total					90	1,806

	Close	Prev
BFI	891	882

PULP AND PAPER

■ PULPEX OMLX (US$, 24 air dry tons)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	435.00	+1.75	435.00	433.00	15	372
Mar	460.50	-2.75	461.50	460.50	13	95
Total					28	475

FUTURES DATA
All futures data supplied by CMS.

Minor Metals from Metal Bulletin
European free market, $ per pound in warehouse (last week's prices in brackets). Antimony: 99.65%, $ per tonne, 1,300-1,400 (1,275-1,325). Bismuth: min. 99.99%, tonne lots, 3.10-3.30 (3.20-3.45). Cadmium: min. 99.95%, cents a pound, 17-20 (23-25). Cobalt: MB free market, min 99.8%, 20.40-21.30 (20.50-21.50), min. 99.3%, 17.70-18.20 (17.90-18.40). Mercury: min. 99.99%, $ per 76 pound flask, 137-145. Molybdenum: drummed molybdic oxide, 2.95-3.00 (3.00-3.08). Selenium: min. 99.5%, 1.40-2.30. Tungsten ore: 38-48. Vanadium: min. 98%, 5.30-5.40 (5.40-5.55).

SOFTS

■ COCOA LIFFE (10 tonnes; £/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	976	-6	-	-	13	31
Dec	1012	-2	1021	1001	1,037	66,424
Mar	1042	-	1048	1030	1,211	40,227
May	1060	-	1066	1050	57	15,385
Jul	1076	-	1084	1073	38	9,343
Sep	1096	-1	1101	1091	509	26,919
Total					3,041	172,822

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	1522	+3	1524	1505	4,570	33,091
Mar	1561	+4	1560	1548	1,815	21,213
May	1586	+4	1580	1580	335	6,079
Jul	1616	+6	-	-	15	1,819
Sep	1644	+6	-	-	-	1,680
Dec	1674	+9	1672	1666	-	4,963
Total					7,087	73,287

■ COCOA (ICCO) (SDR's/tonne)

Sep 18	Price	Prev. day
Daily	1197.63	1199.96

■ COFFEE LIFFE ($ tonnes; $/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	1639	-24	1650	1635	165	1,577
Nov	1558	-40	1600	1563	4,382	19,373
Jan	1518	-32	1554	1515	577	7,001
Mar	1498	-27	1515	1495	385	2,333
May	1483	-27	1505	1480	209	841
Jul	1473	-27	1490	1475	14	405
Total					5,730	31,543

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	101.95	+0.85	103.85	98.75	4,987	17,769
Mar	100.75	+0.25	102.75	98.50	1,146	7,493
May	101.75	-0.10	103.00	100.00	403	3,217
Jul	102.75	-0.30	104.10	101.50	348	1,486
Sep	104.25	+0.05	105.00	103.00	204	1,524
Dec	106.25	+0.05	106.00	105.30	85	467
Total					7,232	32,015

■ COFFEE (ICO) (US cents/pound)

Sep 18		Prev. day
Comp. daily	92.25	92.76
15 day average	97.45	98.01

■ WHITE SUGAR LIFFE (50 tonnes; $/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	215.5	+0.5	216.5	212.8	985	14,806
Mar	220.9	+1.0	221.6	218.2	315	14,290
May	225.2	+1.3	225.4	223.0	150	2,359
Aug	228.6	+1.7	228.0	227.7	34	1,743
Oct	230.1	+1.4	232.4	232.4	83	1,219
Dec	233.3	+0.8	240.1	239.1	44	136
Total					1,484	34,553

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	6.91	+0.24	6.92	6.60	12,302	44,235
Mar	7.45	+0.14	7.45	7.22	14,471	72,462
May	7.53	+0.11	7.55	7.36	2,488	11,599
Jul	7.60	+0.07	7.60	7.49	1,540	8,276
Oct	8.05	+0.06	8.06	7.95	365	9,159
Total					31,852	154,001

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	73.93	+0.07	74.20	73.75	417	1,491
Dec	75.83	+0.03	75.95	75.25	7,974	37,241
Mar	74.95	-0.05	75.10	74.45	1,624	20,782
May	74.55	-0.10	74.85	74.00	295	10,294
Jul	74.35	-0.10	74.50	74.10	594	6,561
Total					10,984	86,473

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	103.30	-2.10	105.60	103.10	4,221	15,277
Jan	106.30	-2.00	108.60	106.25	1,287	7,061
Mar	109.20	-1.90	111.40	109.20	647	4,268
May	111.80	-2.00	114.00	112.00	32	776
Jul	114.25	-2.30	115.00	114.00	20	337
Sep	116.25	-2.30	-	-	-	36
Total					6,207	27,789

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open Interest totals are for all traded months.

INDICES

■ Reuters (Base: 18/9/31 = 100)

Sep 21	Sep 18	month ago	year ago
1463.9	1465.8	1511.0	1917.9

■ CRB Futures (Base: 1967 = 100)

Sep 18	Sep 17	month ago	year ago
202.18	201.83	-	-

■ GSCI Spot (Base: 1970 = 100)

Sep 18	Sep 17	month ago	year ago
132.47	149.65	141.81	196.20

LME WAREHOUSE STOCKS (tonnes)

Aluminium	+7,175	to	501,400
Aluminium alloy	+20	to	78,820
Copper	+2,650	to	379,600
Lead	-150	to	115,275
Nickel	-102	to	59,022
Zinc	-700	to	369,500
Tin	-80	to	8,370

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Oct	62.050	-0.450	62.300	61.700	6,346	30,842
Dec	63.925	-0.425	64.250	63.775	4,707	32,262
Feb	64.200	-0.175	64.525	64.050	2,141	16,801
Apr	65.675	-0.075	65.925	65.450	1,266	8,248
Jun	62.800	-0.150	62.950	62.550	969	5,936
Aug	62.625	-0.075	62.800	62.550	67	1,459
Total						

■ LEAN HOGS CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Oct	41.700	+0.875	41.950	40.450	3,493	11,224
Dec	40.350	+0.525	40.800	39.500	3,449	15,412
Feb	44.825	+0.075	45.000	44.150	910	5,801
Apr	46.675	-0.175	47.000	46.100	229	1,834
Jun	55.475	-0.300	55.900	55.300	239	1,221
Jul	56.400	-0.150	56.850	55.900	41	873
Total						

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Feb	47.325	+0.575	48.300	46.500	919	2,944
Mar	47.550	+0.650	48.000	46.150	38	198
May	47.000	-1.650	48.000	46.900	11	23
Total						

LONDON TRADED OPTIONS

Strike price $ tonne	Calls		Puts	
■ ALUMINIUM (99.7%) LME	Oct	Jan	Oct	Jan
1350	24	42	89	52
1400	10	77	38	80
1450	3	120	23	114
■ COPPER (Grade A) LME	Oct	Jan	Oct	Jan
1600	77	32	115	88
1700	30	84	67	108
1800	9	162	36	174
■ COFFEE LIFFE	Sep	Nov	Sep	Nov
n/a				
n/a				
n/a				
■ COCOA LIFFE	Sep	Dec	Sep	Dec
n/a				
n/a				
n/a				
■ BRENT CRUDE IPE	Oct	Nov	Oct	Nov
1350	-	-	21	44
1400	76	112	42	63
1450	-	88	-	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)

		+or-
Dubai	$13.84-3.91x	+0.235
Brent Blend (dated)	$14.28-4.34	+0.34
Brent Blend (Nov)	$14.33-4.39	+0.27
W.T.I.	$15.64-5.66x	+0.26

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$160-162	+6
Gas Oil	$131-133	+3
Heavy Fuel Oil	$64-65	+3
Naphtha	$128-131	+1
Jet fuel	$148-149	+2
Diesel	$144-145	+1

■ NATURAL GAS (Pence/therm)

Bacton (Oct)	12.15-12.25	-0.26

Petroleum Argus. Tel. London (0171) 359 8792

■ OTHER

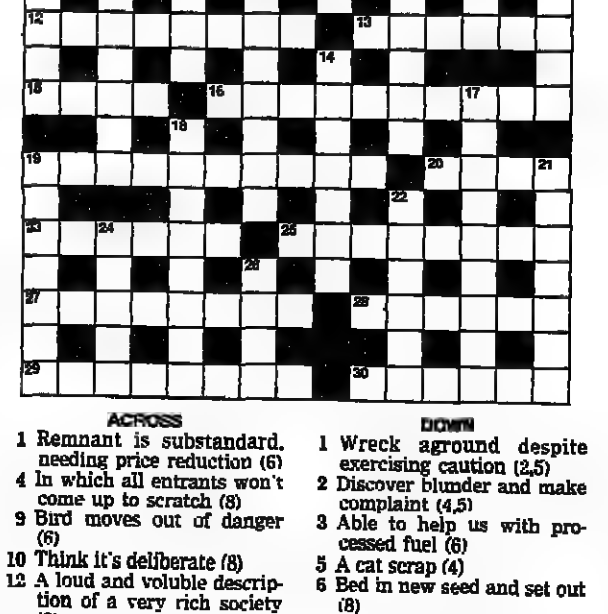
Gold (per troy oz)♣	$292.05	+1.10
Silver (per troy oz)♣	505.00c	+6.50
Platinum (per troy oz.)	$369.00	+11.5
Palladium (per troy oz.)	$288.00	
Copper	84.0c	
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	20.23r	
Tin (New York)	261.5	+1.00
Cattle (live weight)	78.98p	-0.25*
Sheep (live weight)	74.25p	+3.50*
Pigs (live weight)†	37.94p	-4.41*
Lon. day sugar (raw)	$168.80	-4.40
Lon. day sugar (wte)	$214.00	-2.00
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	£109.00	
Wheat (US Dark North)	Unq	
Rubber (Oct)♥	47.00p	
Rubber (Nov)♥	47.50p	
Rubber (KL RSS No1)	261.00m	+1.50
Coconut Oil (Phil)§	640.0y	
Palm Oil (Malay)§	672.5	
Copra (Phil)§	$407.5y	
Soyabeans (US)	150.0y	
Cotton Outlook 'A' index	65.80	+0.25
Wooltops (64s Super)	300p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. y Aug/Sep. x Sep. ♥London Physical. § CIF Rotterdam. ♣ Bullion market close. * Change on week. †Based on 594 head of pigs sold.

JOTTER PAD

CROSSWORD

No.9,793 Set by DANTE



ACROSS

1 Remnant is substandard, needing price reduction (6)
4 In which all entrants won't come up to scratch (8)
9 Bird moves out of danger (6)
10 Think it's deliberate (8)
12 A loud and voluble description of a very rich society (8)
13 Sign of nerves following car smash in the north (6)
15 Obstinate but practical person, we hear (4)
16 Member of young wives' group (5,5)
19 Hot stew taken in by medical orderly (10)
20 Prophet leaves seafarer well off (4)
23 Badly engineered attempt to smuggle in rum (6)
25 About five, porter has time for a drink (8)
27 Tell everyone girl's gained weight (8)
28 This form of cure is sometimes recommended by doctors (6)
29 Risk death with passion (8)
30 Bay horses (6)

DOWN

1 Wreck aground despite exercising caution (2,5)
2 Discover blunder and make complaint (4,5)
3 Able to help us with processed fuel (6)
5 A cat scrap (4)
6 Bed in new seed and set out (8)
7 Acted as a would-be officer (5)
8 A number seen in posher sort of car (7)
11 Confine in NE China, perhaps (7)
14 Dim-sighted king in bed (7)
17 New inn to fail in time of price increases (9)
18 Favour a top-of-the-bill act? (4,4)
19 Seem upset about flag signal (7)
21 Smoking jackets? (7)
22 Curious round nut (6)
24 Was a possessive type? (5)
26 With each twist it hurts (4)

Solution to Saturday's prize puzzle on Saturday October 3.
Solution to yesterday's prize puzzle on Monday October 5.

هكذا من الأصل

FT MANAGED FUNDS SERVICE

Offshore Funds

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (FSA RECOGNISED)

BERMUDA (REGULATED)(**)

GUERNSEY (FSA RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (FSA RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (FSA RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (FSA RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (FSA RECOGNISED)

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	Selling Price	Buying Price	+ or -	Yield Gross
ABN AMRO Funds - Contd.				
Brazil Equity H	[illegible]		-0.02	-
Aberdeen Fund Mngrs (Luxembourg) Ltd (z)				
4 Boulevard Royal L-2449 Luxembourg 00 352 227801				
Global Cap Portfolio	$3.463		-	-
American Phoenix Investment Portfolios (z)				
12 rue Goethe, L-1637 Luxembourg 00 352 40446211				
Bank Von Ernst & Cie AG				
Marktgasse 63/65, 3001 Berne, Switzerland 0041 31 3291111				
For Banque Indosuez see Credit Agricole Indosuez				
Barclays Diversified Portfolio (z)				
50 avenue J.F. Kennedy L-2951 352 4799 2999				
Barclays Inv Funds (Luxembourg)				
26 Place de la Gare, L-1616 00 352 404344				
CMI Asset Management (Luxembourg) SA				
CMI Global Network Fund (u)				
Capital International				
5 Boulevard de la Foire, L-1528 Lux 00 352 451231				
Chase Manhattan Vista Funds				
Comgest SA				
56 rue de Londres, 75008 Paris 00 331 4470 7810				
Commercial Union Luxembourg SA (z)				
26 Place de la Gare, L-1616				
Credit Agricole Indosuez				
DB Investment Management SA				
Danske Fund (u)				
2, rue du Fosse L-2011 Luxembourg 00 352 4612751				
Den norske Bank				
2 boulevard Royal, Lux 00 352 4589 3271				
Dresdner RCM Global Investors (UK) Ltd				
10 Fenchurch Street, London EC3M 3LB 0171 248 3000				
Dresdner RCM Japanese Warrant Fund				
14 rue Aldringen Luxembourg 00 352 4799 7839				
Dresdner RCM Select Fund (u)				
14 Rue Aldringen L-1118 Luxembourg 00 352 4799 2939				
Dresdnerbank Asset Mngmt SA (u)				
EFG Proton Asset Management S.A.				
5 rue Jean Monnet L-2180 Lux 00 352 420724-1				
E.T. Investment Management Ltd				
13 Rue Goethe, BP 413, Luxembourg 00 352 40464 6217				
Eigistan Global SICAV (u)				
Fidelity Funds (u)				
Balanced: Euro Balanced	DM18.47		-0.15	1.09
Prices as at September 18				
Fleming Group (u)				
6 Route de Trèves L-2633 Senningerberg Luxembourg				
Gaia Fund Sicav: International Equity F	5 CE $11.307	11.83	—	-
Foreign & Colonial Emerging Markets Ltd (z)				
Exchange Ho, Primrose St, Lon, EC2A 2NY 0171-628 1234				
Foreign & Colonial Portfolios Fd Sicav(z)				
47 Boulevard Royal, L-2449 Lux 00 352 4640101				
Frontrunner I (z)				
672 rue de Neudorf, L-2220 Luxembourg 00 352 433950				
GT Global				
+44 171 710 4567 London (852) 2842 7980 Hong Kong				
HSBC Investment Funds Luxembourg SA (z)				
Henderson Management SA (z)				
IKOS				
7 New Concordia Whf, Mill St, London SE1 0171 237 3980				
INVESCO International Limited (z)				
PO Box 271, St Helier, Jersey 01534 614000				
JP Morgan				
Jefferies				
Jupiter Tyndall Global Fund				
13 rue Goethe L-1637 Luxembourg 00 352 404646208				
Liberty Newport World Portfolio (z)				
Lloyds Bank Luxembourg				
1, Rue Schiller L-1018 Luxembourg 00 352 4022121				
Lombard Odier Invest (z)				
13 Southampton Place, London WC1A 2AJ				
Manulife Global Fund (u) (z)				
Mercury Asset Management				
B.P. 1058, L-1010 Luxembourg 00 352 3420101				
Mercury Asset Management - Contd.				
Morgan Stanley Sicav				
C/O First European Transfer Agent S.A.				
Nikko Global Umbrella Fund				
16 Bld Royal, L-2449 Luxembourg 00 44 171 222 2329				
Nomura Global Fund (z)				
Asia Pacific P'folio	$4.12		+0.12	-
PIMCO Worldwide Inv Portfolio Sicav (z)				
Premier International Investments SICAV				
Rothschild Asset Management				
S-E-Banken Luxembourg SA				
Sarasin Investmentfonds SICAV (z)				
Schroder International Selection Fd (z)				
Scottish Equitable Intl Fund SICAV (z)				
Sun Life Global Management Ltd (z)				
Svenska Selection Fund SICAV				
Templeton Global Strategy Funds (u)				

LUXEMBOURG (REGULATED)(**)

	Selling Price	Buying Price	+ or -	Yield Gross
ACM Offshore Funds				
Astra International Umbrella Fund (z)				
Astra Master Fund (u) (z)				
Amro Bank (Switzerland) Ltd				
The Archipelago Fund Sicav				
Atlantas Sicav				
BNP				
Banque Colbert S.A.				
Banque Edouard Constant Ltd				
Banque Ferrier Lullin (Lux) SA				
Banque Internationale A Luxembourg				
Barclays Liquidity Portfolio				
Blakeney Management Ltd				
Brunswick Russian Emerging Equities Trust				
NAV	$2.98			
Bryan Garnier Asset Management				
CB Fund International (u)				
Capel-Cure Myers Intnl Fd Sicav (u)				
Carlson Investment Management				
Citicorp Investment Mgmt (Luxembourg) SA				
Citimarkets SA				
Clark Capital Management Group Inc				
Cox & Kings Overseas Fund				
India Twenty-First Century	$7.29			
Credit Agricole Indosuez				
Credit Lyonnais Rouse (Bermuda) Ltd				
Credit Suisse Asset Mgmt Funds				
Credit Suisse Asset Mgmt Funds - Contd.				
Daiwa Japan Small Equity Fd (z)				
Daiwa Japan Small Eq	$7.13			
Dicam Worldwide Investment Fund				
NAV	$32.70			
The Dragon Fund Sicav				
NAV Aug 25	$48.75			
Dresdner RCM European Bond Fund				
Egypt Trust				
Emerging Markets Brewery Fund SICAV				
The European Asset Value Fund				
FMG Mir SICAV				
Fidelity Investment (CI) Ltd				
The First Korea Smaller Companies Fund				
NAV Sep 3	$2.83			
Fischer Francis Trees & Watts				
Fleming Group				
Fonditalia Mgmt Company SA (Umbrella Fund)				
Foreign & Colonial Emerging Markets Ltd				
Framlington International Portfolios				
Framlington Russian Investment Fund				
Fred Alger Management Inc				
Global Funds Management S.A. (z)				
Goldman Sachs				
HSBC NAPT Luxembourg SA				
HYPO Capital Mgmt Invest Luxembourg SA				
Henderson Independent Fund				
International Bond Trust				
INVESCO International Limited				
InverSud Investment Fund SICAV				
Investissements Atlantiques SA				
JP Morgan				
Kredietbank SA Luxembourg				
Lebanon Holdings				
Lloyds Bank Luxembourg				
Lombard Odier Selection				
MC Securities Limited London				
MFS American Funds				
Merrill Lynch Asset Management				
Merrill Lynch Asset Management - Contd.				
Monterey Trust SICAV				
Murray Universal, Sicav				
NCAM Asia Pacific Umbrella Fund				
Nikko Bank (Luxembourg) S.A.				
Nikko Capital Management				
Nomura Asian Infrastructure Fd SICAV				
Pan-Holding SA				
Pictet Group				
REG Global Funds				
Regent Korea Emerging Growth Fund				
Rosenberg Management Co SA (z)				
Rothschild (Group Edmond de)				
SCI/TECH SA				
Scudder Global Opportunities Funds				
Sector Fund				
Seligman Global Horizon Funds				
Sigma Fund SICAV				
Skopis Asset Management				
Societe Generale Emer Europe Asset Mgt				
Standard Chartered Investment Fund SA				
State Street Luxembourg SA				
State Street Research & Management Co				
Storebrand Scudder Environmental Value Fd				
For Swiss Bank Corporation see UBS AG				
TCW Luxembourg Funds				
Target International Ltd				
Templeton Emerging Asia				
Templeton Russian & East European Debt Fd				
Tower Fund				
Tweedy, Browne Value Funds				
UBS AG				
UBS AG - Contd.				
Unicapital Investments				
Union Financial Services SA Lux				
Union Bancaire Privee				
VLS Finance Ltd India				
For Van Kampen see Morgan Stanley Dean Witter				
Vesper Conseil				
'WINTERTHUR' Fund Mngmt Co (Lux) SA				
WP Stewart Global Growth Fund				
World Invest SICAV				
World Trust Fund				

OFFSHORE INSURANCES

	Selling Price	Buying Price	+ or -	Yield Gross
Aberdeen International Ltd				
PO Box 494, Harbour Court, St Peter Port Gsy 01481 727066				
Albany International Assurance Ltd				
St Mary's, Castletown, Isle of Man 01624 823262				
Allied Dunbar International Assce Ltd (z)				
43-51 Athol Street, Douglas, IoM 01624 661551				
CMI Insurance Co Ltd				
CMI Ins Co Ltd/Clerical Med Life				
Eagle Star Intl Life				
Equitable Life (International)				
Equity Fund Managers				
Eurolife Assurance Group				
Finexco International Ltd				
PO Box 193, St Peter Port, Guernsey 01481 713100				
Friends Provident International				
Generali International Limited				
Hansard Europe Limited				
Hansard International Ltd.				
Irish Life International Ltd				
Lower Abbey Street, Dublin 1 3531 7041500				
Isle of Man Assurance Ltd				
Lebrow International Group				
Midland Life International Ltd				
Old Mutual Guernsey				
Old Mutual Hong Kong				
Old Mutual International (Guernsey) Ltd				
Old Mutual International (Ireland) Ltd				
Old Mutual International (Isle of Man) Ltd				
PanEuroLife societe anonyme				
Premier Life				
Professional Investment Consultants				
Royal & Sun Alliance Intl Financial Srvs				
Administered by Old Mutual (Guernsey)				

صكتا من الاجل

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Selling Price | Buying Price | +or- | Yield Gross

Royal & Sun Alliance Intl Financial Srvs - Contd.

Royal Skandia Life Assurance Ltd (z)

Scottish Equitable International SA
43 Av JF Kennedy, L-1855, Lux 00 352 4201301

Scottish Mutual International Plc
16/17 Beresford Place, Dublin 1 00 3531 804 4080

Scottish Provident Intl Life Ass Ltd

Scottish Widows International Ltd

Sun Life International (IOM) Ltd

OTHER OFFSHORE FUNDS

AXA Asset Management

AXA Investment Managers Hong Kong Ltd

Aberdeen Asset Management Asia Limited
India Growth Portfolio ... £9.73 10.08

Ability Fund Limited

Acciones y Valores de Mexico SA de CV
Accival Sep 14 ... Pesos51.82

Acuna Capital Management Limited

Adelphi Europe Fund

Advanced Asset Management Ltd
Advanced Asset Mngmt Ltd ... $979.49

Africa Emerging Markets Fund
NAV Jul 31 ... $12.96529

Alexandra Global Investment Fund I, Ltd

Allmer Investment Holdings N.V.

Allegro Capital Limited

Alliance Capital

Allied Dunbar International Fund Mngrs (1600)F
Alt Emerging Asia ... $0.2931 0.3133 -0.0020 0

Alpha Fund Management Ltd

The Americas Trust Bank

Apex Bank & Trust Company

Aravis Capital Advisors LLC
Aravis Citeor Ltd ... $104.01

Ardent Investment Management Limited

Argent Fund Management Limited
First Winchester Inv Ltd ... $1858.440

Arisaig Partners (BVI) Ltd

Aristocrat Capital Management Ltd
Aristocrat Cocoanor Fd ... $22.60

Armfield-Herman Investment Mgmt Inc
Bryce Hedge Fd Ltd ... $951.2229

Arnhold and S. Bleichroeder, Inc

Asia Debt Management Hong Kong Ltd

Asia Pacific Securities Corp Ltd
Indian Vale Ltd ... $7.36

Asian Convertibles & Income Fd (Cayman)
NAV Sep 17 ... $9.77

Atlantica Investment Ltd
Atlantica Ltd ... $107.81

Atlantic Investment Management, Inc

Atlantis Fund Management (Guernsey) Ltd

Atlas Real Estate Hedge Fund Limited
NAV Aug 31 ... $107.15

Aurum Funds

BBM Bank

BEA Associates

BNP

Julius Baer Bank & Trust Co Ltd

Banca Bcig. S.A. (Principality of Andorra)

Banco do Brasil-BB Fund

Banc Internacional D'Andorra Banca Mora

Bank of America
World Horizon Funds

Bank of Nova Scotia Trust Co (Cayman) Ltd

Bank Von Ernst & Cie AG

Banque Fr Serv & Cr/Europ Inv Mgt Ltd

Banque Nationale de Paris Plc

Baring International Group

Baring Mutual (Ireland) Limited
Taiwan Fund NAV ... $10.79

The Batavia Fund Ltd
NAV Sep 18 ... $1.00 -0.34

Bayard Partners Limited

Beacon Ventures Ltd

Bear, Stearns International Ltd

Beaufort Capital Management

Belgrave Capital Management Ltd

Bellevest Funds

Bermuda Capital Company Ltd

Best International Management Inc

Birla Capital International AMC (Mauritius) Ltd

Blairmore Holdings Inc

Bodart & Co

Bowfield Asset Management Limited

Bozano, Simonsen Latin American Fund
NAV ... $955.70 -2.06

Brown Simpson Asset Mgmt

Brunswick Capital Management (Cayman) Ltd

Buchanan Capital Management Ltd

Butterfield Fund Managers (Cayman) Ltd

CB Asset Management

CDC International

CML Fund Management Ltd

Caraco Investment Management Ltd

Campbell & Co
Global Assets Fd Ltd ... $1143.90

Capital Plus Management Limited
Capital Plus NAV ... $66.53 +0.82

Carlson Investment Management Far East Ltd

Caspian Quantitative Asst Mngt Advsr LLC

Cathay Investment Fund Limited
NAV Aug 31 ... HK$8.70

Caxton Global Investments Limited

Cazenove Funds Management Ltd

Chameleon Funds Limited

Champion Global Fund Management Ltd
Security Fund Ltd Jul 31 ... $862.0690

Chartered Asset Management PTE Ltd

Chesapeake Capital Corporation

Chescor Indian Investment Company Ltd
Smaller Cos Ptflo Sep 4 ... $1.1499

Clifton Investment Partners LP

The China Fund

The China Invest & Development Fd Ltd

China Securities Advisor Limited

Citibank Global Asset Mgmt (Asia) Ltd

Citizens Investment Trust Mgt & Secs Co Ltd

Colbert Securities Asset Management Limited

Columbus Asset Management Ltd

Commercial Union

Connor Asset Management Ltd

Coutts & Co Ag

Cowen & Co

Cravo Enterprise Fund N.V.

Craig Drill Capital Ltd

Credit Suisse Asset Mgmt Funds

For Credit Suisse Fleet Boston see EBCASB Bahamas Ptfs

Credit Agricole/INDOCAM

Crosby Asset Management Ltd

Crystal Corporation N.V.
Sra Chan AB Sep 18 ... $116.80 121.15

Crystal Fund Managers (Bermuda) Ltd
Crystal F Jul 31 ... $10.49 11.03

Cairnes Global Management Limited
Zen Ebor Fund (OEIC) Aug 28 ... $1107.16

DWS Deutsche Ges. F. Wertpapiersp.

Daehan Investment Trust Co Ltd

Daiwa Intl Capital Management (H.K.) Ltd

Darier Hentsch Fund Management SA

Delta Fund

Delta Managed Funds Limited

Deltec Panamerica Trust Company Ltd

Deutsche Bank A.G.

Discover Investment

Dragon Securities Ltd

Dresdner RCM Global Investors (HK) Ltd

Dresdner Bank Investment Group

Dubin & Swieca

EBS Overseas Fund Ltd

EMR Eastern Mutual Resources SA

East Europe Development Fund Ltd

Edelweiss Portfolio Ltd

Edinburgh Fund Managers (Bermuda) Ltd

Egerton European Dollar Fund Ltd
NAV Sep 17 ... $25.29

Egerton European Equity Fund Ltd
NAV Sep 17 ... DM25.40

Emerging Markets Management

Endstone Trust SA

The Environmental Investment Co Ltd

Erlangsson & Co Ltd

Ermitage Group

Europe 1992

Euronext Ltd

Everest Capital Limited

F.I. Founders Asset Management Ltd (Irl)

The FMS Fund Managers Ltd (Bermuda)

Fairfield Greenwich Group

Fairway International Ltd

Falcon Fund International Inc

Fairdale Capital Management Corporation

Fidelity Advisor World Funds

Fidelity Investments

Fides Asset Management Ltd

First Investments Ltd

First Mexico Income Fund
First Mexico Inc ... $10.51

Fleming Leveraged Emerging Mkt Portfolio Ltd

Focus Group

Formosa Fund

Formosa Growth Fund Limited

Foyil Asset Management Ltd

Framlington Group Plc

Franck Asset Management

Frank Russell Investments (Cayman) Ltd

Futura World Trade Fund

GA - Rate Management Limited

GBC Asset Management

GM Fund Management (Bermuda) Ltd

The GP Taiwan Index Fund

GT Chile Growth Holdings Limited

GT Global

Gaia Currency Funds

Garantia Banking Ltd

Genesis Fund of Funds Ltd

Gesco Management Ltd

Genesis Fund Managers Ltd

Glenn Capital Limited

The Glenmore Property Fund Ltd

Global Asset Management

Global Asset Management - Contd.

Global Atlic Inc

Global Convertible Mngd Fund
NAV Sep 14 ... $711.10

Global Fund Management S.A.

The Global Managed Investor Bond Limited

Globalvest Management Co LP

Goldman Sachs

Griffin Capital Management
Eastern European Value ... $92.27

Greenwich Asset Management

Group One International Tst

Gryphon Fund Management Ltd

Guardian Global Asset Management Ltd

HSBC Asset Management (Bahamas) Ltd

Hamblin-Spinner Renaissance Fund Ltd
Overseas Shares Aug 31 ... $32.344

Hanson Investment Group

Hanston Investment Funds

Hasenbichler Asset Management GmbH

Hemisphere Hidge NV Curacao

Heritage Investment Fund Ltd

Horizon Sicav

Hermes Financial Management (Egypt) Ltd
The Egypt Fund Ltd Aug 31 ... $14.30

Hermitage Capital Management Ltd

Highland Fund Advisors Limited

Hall Capital Corps

Hypothesis Capital Management Inc

IBJ Schroder Bank & Trust Company

IBJ Schroder Overseas Fund II

IIF Inv & Development Financing Ltd

IMS

Ibn Khaldoun International Equity Fund Limited

InPac Asia Pacific Funds Limited

India Investment AB

The India Magnum Fund Ltd

The India Special Situations Fund Ltd

India Value Investments Limited (IVIL)

Indocam Asia

Indosuez Emerging Markets Asset Mgmt SA

Insinger Asset Management

The International Investor

INVESCO Asset Management

INVESCO France

The Jaguar Fund N.V.

Jardine Fleming Inv Mngt Ltd

Jardine Fleming Unit Trusts Ltd

Jardine Fleming Unit Trusts Ltd - Contd.

Jupiter Asset Management (Asia) Ltd

Jupiter Asset Mngt (Bermuda) Ltd

KD Offshore Fund, C.V.

Kenmar Management Limited

Key Asset Management Inc

King Street Capital Ltd

Kingdom Global Fund Ltd

Kingdom Offshore N.V.

Knight Asset Management Limited

Korea Intl Investment Fund

Korea Intl Investment Fund Ltd (II)

Korea International Investment Fund Ltd (III)

Korea International Investment Fund Ltd (IV)

Korea International Investment Fund Ltd (V)

Korea International Investment Fund Ltd (VI)

Korea International Investment Fund Ltd (VII)

Korea International Investment Fund Ltd (VIII)

Korea Investment Trust Co Ltd

LIM Asia Special Fund Inc

Lansdowne European Equity Fund Limited

Liberal Asset Management - LIBERAL FUND

Lexco Alternative Fund Ltd

Lippo Asia Ltd

Lloyd George Management

Lloyds Fund Management Services SA

Lloyds Bank International (Bahamas) Ltd

M&G Unit Trust Managers Limited

MC Bahamas Investment Company SA

MCT Eastern Europe Ltd

MD Sass Re/Enterprise International Ltd

MFS Meridian Funds

MPFC Overseas Limited

McGinnis Global Fund Ltd

Magnum Funds

Magnum Funds - Contd.

Magny Management Limited

Magus Asset Management

E D & F Man Investment Products

Marshall Wace Asset Management Limited

Martin Currie Investment Management

Masters International Advisors

Matrix

Mauritius Fund Ltd

MeesPierson

Merrill Lynch Asset Management

Merrill Lynch Investment Partners

Millennium Asset Management

Momentum Asset Mngmt

Monaco Asset Management

Mont Blanc Management Investments Ltd

Montgomery Emerg Communications Fd Ltd

Montgomery Emerging Markets Fund Ltd

Montpellier Asset Management Ltd
New Europe Jul 31 ... $11.70 11.27

Moore Global Investment

Morgan Stanley/DLL Global Allocation Fd Ltd

Morgan Stanley Emerging Markets Income

Morgan Stanley Offs Advisory Mortgage Fd Inc

Mortlman & Scott

National Investment Trust Company Ltd
The New Taipei Fund Ltd ... $17.5775

National Mutual Funds Management

Nautilus Management

Neuflize Global Limited

New Asia Asset Management Ltd

Nicholas-Applegate Capital Mgmt

Nordfield International Ltd (Bahamas)

North Atlantic Management Co Ltd
Dominion ... $14.14 14.57

North Star Fund Managers (Cayman) Ltd

Northern Light Funds Limited

Odey Asset Management Ltd

O'Higgins Asset Management

Old Mutual Intl Fund Managers (IoM) Ltd

Olympus Capital Management Ltd

Omega Overseas Partners Ltd
Omega Overseas (Ext) Sep 17 ... $227.7950

Orasia Fund Ltd

Opportunity Fund (z)

Optima Fund Management

Orbitex Management Ltd

Oriental Development Company Ltd
NAV ... $5.68

Orion Capital Advisors Ltd

Oryx Fund Ltd
NAV Sep 18 ... $18.74 +0.09

Oryx International Growth Fund Ltd

The Osprey Group Of Funds

PFPC International Ltd

PRS International

Pacific Chartered Capital Mgmt Limited

Pacific & General Investments Inc
NAV ... $1.5200

Pactual

Pakistan Fund

Panergy Limited
Global Selection Hong Kong ... $15.10 16.00

Paragon Global Funds Ltd

Park Place Capital Limited

Pantera International Ltd
NAV Aug 31 ... $229.16

Pequot Energy Offshore Fund Inc
NAV Aug 31 ... $70.84

Pequot International Fund Inc
NAV Aug 31 ... $506.75

Pequot Technology Offshore Fund Inc
NAV Aug 31 ... $187.76

Perry Partners International Inc
NAV Jul 31 ... $214.94

Peru Select Group of Funds Limited

Philippine Income Fund Inc

Phoenix Asset Management Partners

Phoenix Four, Inc

Power Capital Limited

Private Capital Portfolio Management Ltd

The Private Client Portfolio

Pro Value AG
European Focus Sep 11 ... DM109.294

Prospect Asset Management (CI) Ltd

Prospector Fund Management Ltd

Prosperity Capital Management Ltd

Protected Asset Management (IOM) Ltd

Prudential Securities Futures Mgmt, Inc

Putnam Europe Ltd

Putnam Offshore Funds

Quantum Group

Quilvest Ltd

RFS Asset Management Private Limited

Raffles-Asia Investment Company

Rainbow Global High Yield Fund
NAV Jul 31 ... $1001.59

Real Estate Strategies Ltd

The Red Square Debt Fund Ltd

Regent Fund Management Ltd

Reliant Management

Renaissance Capital Asset Management Ltd

Richmond Capital Limited
Richmond Europe Fund ... $1749

Rod & Greg Capital Management Ltd

Rovida Asset Management Ltd

Russia Growth Fund Ltd

Russia Value Fund LP

SAGE Partners Ltd

SEI Global Management (Cayman) Inc

Sabre Fund Management Ltd

Saudi American Bank

Schroder Investment Management Limited

Schroder Investment Mngt (Hong Kong) Ltd

Schroder Investment Mngt (Singapore) Ltd

Scudder, Stevens & Clark Inc

SEASAM Return Fund Ltd

Secura Growth Fund Ltd (Bermuda)

Secure Management (IOM) Limited

Secured Profits Fund Limited
NAV (OEIC) ... £1.1105

Selective Assets Series Fund Limited

Shiozumi Investment Mngmt (Bermuda) Ltd
Japan Opps NAV Sep 15 ... $9.010

Sierra Global Management PLC

Sintra Fund Ltd
NAV Aug 31 ... $7.753

Sloane Robinson Investment Mngmt Ltd

Smith Barney Funds

Societe Generale Group

Sodific Asset Management Inc

Solaar Capital Inc

The Southeast Asia Frontier Fund (SEAFF)

Carl Spaengler KAG

Sphera Ltd

Spruce International Investments Ltd
Class A Aug 31 ... $1101.23

State Street Banque SA

Stephen Bronte Partners

Strome Offshore Limited

Strome Susskind Investment Management LP

Summit Money Management (Bermuda) Ltd

Swiss Finance Corporation

Swiss Finance Global Funds

TIS Group Managers Ltd

Taipei Fund

Talleman Capital Inc

Templeton Global Advisors Ltd

Thai Development Capital Fund Ltd

The Thai-Euro Fund Ltd

The Thai Prime Fund Limited

The Thailand Fund

The Thailand Growth Fund

The Thailand Intl Fund Ltd

Thames Currency Funds

Thames River Global Fund Limited

Third Point Management Company LLC

Threadneedle Investment Funds

Titan Capital Management

The Torrey Funds

Tradewinds Financial Corporation

Tradex Funds

Trans Global Funds Group

Trigone Capital Finance SA

UBS AG

UBS Private Investor Funds

UBS Floating Rate Fund Ltd

UTI (Guernsey) Limited

Ultra Asia Phoenix Fund
Fund Advisors Ltd ... $970.71

Ultra Cerberus Fund Ltd
Fund Advisors Ltd Jul 31 ... $2130.40

Ultra Hermes Fund
Fund Advisors Ltd Jul 31 ... $1442.21

Ultra Interest Plus Fund

Ultra Westcliff Fund Ltd
Fund Advisors Ltd Jul 31 ... $1758.43

Unibanco-Uniao de Bancos Brasileiros S.A

Union Investment Mngt Ltd

Value Partners Fund

Vantage Investment Management Ltd
Vantage Global Invest ... $101.46 102.48

Vector Asset Management Ltd

Venus Value Fund Ltd
NAV ... $1150.97

For Vesper Consult see Luxembourg (Reg)

Victory Capital Limited

The Vietnam Frontier Fund

The Vietnam Fund Limited

Voltaire Fund
Series 1 Sep 18 ... DM167.50

Wharton Capital Investment Management Ltd

Worldwide Limited
NAV Sep 14 ... $99.25

Xeryus Fund Management Ltd
Xeryus Portfolio ... $987.90

Xiphias International Investment Fd Ltd

Zanett Lombardier Ltd
NAV Aug 31 ... $256.63

Zweig-DiMenna International Limited
NAV Sep 4 ... $194.30

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Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales.

FSA - Financial Services Authority.

(**) Funds not FSA recognised. The regulatory authorities for these funds are:

Bermuda - Bermuda Monetary Authority
Guernsey - Financial Services Commission
Ireland - Central Bank of Ireland/Irish Department of Enterprise and Employment
Isle of Man - Financial Supervision Commission
Jersey - Financial Services Department
Luxembourg - Institut Monetaire Luxembourgeois.

Initial charge - Charge made on sale of units.
Selling price - Bid or redemption price.
Buying price - Offer or issue price.
OEIC - Open Ended Investment Company.
Times - The time shown alongside the fund manager's name is the time of the fund's valuation point unless indicated by one of the following symbols:

(♦) 0001 to 1100 hours
(♦) 1101 to 1400 hours
(♦) 1401 to 1700 hours
(♦) 1701 to midnight

E Exit charge on sale of units.
C Manager's periodic charge deducted from capital.
H Historic pricing. F - Forward pricing.
K Distribution free of UK taxes.
p Periodic premium insurance plans.
s Single premium insurance.
u Designated as a UCITS (Undertakings for Collective Investment in Transferable Securities).
x Offered price includes all expenses except agent's commission.
z Previous day's price.
G Guernsey gross.
♦ Yield before Jersey tax.
† Ex subdivision. xd - Ex-dividend.
‡ Only available to charitable bodies.
♦ Yield column shows annualised rates of NAV increase.

The fund prices published in this edition are also available at the Financial Times' web site, http://www.FT.com

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

	Notes	Price	+ or -	52 week high	52 week low	Volume '000s	Yld Gr's	P/E
Allied Domecq	+N	384	-30	645	383	2,893	6.3	9.6
Bulmer (HP)		319	-2½	495½	295	-	3.8	13.8
Burn Stewart		11	...	33½	8½	18	19.3	-
Diageo		509	-33	*795	432	4,258	4.4	22.2
Glenmorangie A		807½	-12½	976½	755	-	2.2	18.8
B		807½	-	1058	890	-	1.0	42.3
Highland		233	-	325	225	5	4.8	10.8
5¼pc Cv Sb Bd		83	-	98½	80½	-	6.4	-
Kirin Y		478¼	-15¼	588	416¾	-	1.1	-
Matthew Clark		127½xd	...	268	127	154	12.1	4.3
Merrydown		36	-	74½	33½	-	-	Φ
Seagram C$		£18½	-⅛	£28⅛	£18⅛	-	1.4	-

BANKS, RETAIL

[illegible]

BREWERIES, PUBS & REST

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

CHEMICALS

[illegible]

CONSTRUCTION

[illegible]

CONSTRUCTION - Continued

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ENGINEERING

[illegible]

ENGINEERING - Continued

[illegible]

ENGINEERING - Continued

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

FOOD PRODUCERS

[illegible]

FOOD PRODUCERS - Continued

[illegible]

GAS DISTRIBUTION

	Notes	Price	+ or -	52 week high	52 week low	Volume '000s	Yld Gr's	P/E
BG	†	377	+1½	400	232	4,800	2.8	31.7
Centrica		104½	-⅛	119	70	8,547	-	-
International Energy		141	—	147	86	37	3.3	14.3

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HEALTH CARE

[illegible]

HOUSEHOLD GOODS & TEXT

[illegible]

INSURANCE

[illegible]

INSURANCE - Continued

[illegible]

INVESTMENT TRUSTS

Approved by the Inland Revenue

[illegible]

INVESTMENT TRUSTS - Continued

[illegible]

Net asset values supplied by BT Alex Brown International as a guide only. See guide to London Share Service

INV TRUSTS SPLIT CAPITAL

Approved by the Inland Revenue

[illegible]

هكذا من الاصل

LONDON SHARE SERVICE

OTHER INVESTMENT TRUSTS

The following investment trusts are not eligible for inclusion in the FTSE Actuaries Share Indices.

Notes	Price	+ or -	52 week high	low	Yld Gr's	NAV	Dis or Pm(-)
[illegible]							

Net asset values supplied by BT Alex Brown International as a guide only. See guide to London Share Service

INVESTMENT COMPANIES

Notes	Price	+ or -	52 week high	low	Yld Gr's	NAV	Dis or Pm(-)
[illegible]							

Net asset values supplied by BT Alex Brown International as a guide only. See guide to London Share Service

LEISURE & HOTELS

Notes	Price	+ or -	52 week high	low	Volume '000s	Yld Gr's	P/E
[illegible]							

LIFE ASSURANCE

Notes	Price	+ or -	52 week high	low	Volume '000s	Yld Gr's	P/E
[illegible]							

MEDIA

Notes	Price	+ or -	52 week high	low	Volume '000s	Yld Gr's	P/E
[illegible]							

MEDIA - Continued

Notes	Price	+ or -	52 week high	low	Volume '000s	Yld Gr's	P/E
[illegible]							

OIL EXPLORATION & PRODUCTION

Notes	Price	+ or -	52 week high	low	Volume '000s	Yld Gr's	P/E
[illegible]							

OIL, INTEGRATED

Notes	Price	+ or -	52 week high	low	Volume '000s	Yld Gr's	P/E
[illegible]							

OTHER FINANCIAL

Notes	Price	+ or -	52 week high	low	Volume '000s	Yld Gr's	P/E
[illegible]							

PAPER, PACKAGING & PRINTING

Notes	Price	+ or -	52 week high	low	Volume '000s	Yld Gr's	P/E
[illegible]							

PHARMACEUTICALS

Notes	Price	+ or -	52 week high	low	Volume '000s	Yld Gr's	P/E
[illegible]							

PROPERTY

Notes	Price	+ or -	52 week high	low	Volume '000s	Yld Gr's	P/E
[illegible]							

PROPERTY - Continued

Notes	Price	+ or -	52 week high	low	Volume '000s	Yld Gr's	P/E
[illegible]							

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PROPERTY - Continued

Notes	Price	+ or -	52 week high	low	Volume '000s	Yld Gr's	P/E
[illegible]							

RETAILERS, FOOD

Notes	Price	+ or -	52 week high	low	Volume '000s	Yld Gr's	P/E
[illegible]							

RETAILERS, GENERAL

Notes	Price	+ or -	52 week high	low	Volume '000s	Yld Gr's	P/E
[illegible]							

RETAILERS, GENERAL - Continued

Notes	Price	+ or -	52 week high	low	Volume '000s	Yld Gr's	P/E
[illegible]							

SUPPORT SERVICES

Notes	Price	+ or -	52 week high	low	Volume '000s	Yld Gr's	P/E
[illegible]							

SUPPORT SERVICES - Continued

Notes	Price	+ or -	52 week high	low	Volume '000s	Yld Gr's	P/E
[illegible]							

TELECOMMUNICATIONS

Notes	Price	+ or -	52 week high	low	Volume '000s	Yld Gr's	P/E
[illegible]							

TOBACCO

	Notes	Price	+ or -	52 week high	low	Volume '000s	Yld Gr's	P/E
British American Tobacco		447½	+9½	*465	329½	11,240	6.6	9.4
Gallaher		405xd	+11½	423	273½	4,993	5.1	13.5
Imperial Tobacco		564½	-5½	576	363	921	4.8	13.5

TRANSPORT

Notes	Price	+ or -	52 week high	low	Volume '000s	Yld Gr's	P/E
[illegible]							

TRANSPORT - Continued

Notes	Price	+ or -	52 week high	low	Volume '000s	Yld Gr's	P/E
[illegible]							

WATER

Notes	Price	+ or -	52 week high	low	Volume '000s	Yld Gr's	P/E
[illegible]							

AIM

Notes	Price	+ or -	52 week high	low	Volume '000s	Yld Gr's	P/E
[illegible]							

AIM - Continued

Notes	Price	+ or -	52 week high	low	Volume '000s	Yld Gr's	P/E
[illegible]							

For Zicor Mining see Mano River (Can)

The Alternative Investment Market, designed primarily for small companies, is regulated by the London Stock Exchange but has less demanding rules than the SE Official List.

AMERICANS

Notes	Price £	+ or -	52 week high	low	Volume '000s	Yld Gr's
[illegible]						

CANADIANS

Notes	Price £	+ or -	52 week high	low	Volume '000s	Yld Gr's
[illegible]						

SOUTH AFRICANS

Notes	Price	+ or -	52 week high	low	Volume '000s	Yld Gr's	P/E
[illegible]							

TRADED INDEX SECURITIES

	Notes	Price	+ or -	52 week high	low	Volume '000s	Yld Gr's	P/E
FTSE 100 TRAINS		[illegible]		[illegible]	£472	-	-	-

GUIDE TO LONDON SHARE SERVICE

Prices and trading volumes for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. For FTSE 100 Index constituents and reserves contained in the Trading Volume table on the LSE page, last trade prices at or prior to 4.30pm market close are shown, as these shares are now traded on the Stock Exchange Electronic Trading System ("SETS"). Highs and lows are based on intra-day mid-prices/last trades over a rolling 52 week period.

Trading Volumes are end of day accumulated totals. Dashes indicate that either no trade has taken place during the day or the data is not available for those particular securities. Volumes shown for foreign securities are based on London trading.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas Incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below
- †† Rule 4.2(a) Irish Incorporated non-listed companies.
- ‡ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- § Merger bid or reorganisation in progress
- ◆ Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ◆ Unregulated collective investment scheme.

a Yield based on annualised dividend	present year's earnings	M Yield based on prospectus or other official estimates for 1997-98
b Figures based on prospectus or other official estimates	A Dividend yield includes a special payment	R Dividend is paid in whole or part as a FID (Foreign Income Dividend)
g Assumed dividend yield after rights exer.	F Yield based on prospectus or other official estimates for 1998-99	S Forecast annualised yield, p/e based on prospectus or other official estimates
h Assumed dividend yield after scrip issue	G Assumed yield after pending scrip and/or rights issue	W Pro forma figures
n Rights issue pending	H Yield based on prospectus or other official estimates for 1997	Z Dividend yield to date
q Earnings based on preliminary figures	K Yield based on prospectus or other official estimates for 1998	Abbreviations:
s Dividend yield excludes a special payment	L Estimated annualised yield, p/e based on latest annual earnings	xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.
t Indicated dividend yield, p/e ratio based on latest annual earnings		
u Forecast, or estimated annualised dividend yield, p/e based on		

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LONDON STOCK EXCHANGE

Footsie drops below 5,000 as gilts gain ground

MARKET REPORT

By Steve Thompson, UK Stock Market Editor

There was further evidence yesterday of a "flight to quality" as gilts raced higher and London's equity market sustained heavy losses for the third consecutive session.

The FTSE 100 index, the London market's leading benchmark, finished the session a net 65.30 lower at 4,990.3.

It was its third consecutive decline, and its lowest level since December last year, as Asian and European investors fretted over the implications of the screening of the videotape of President Clinton's testimony over the Lewinsky affair. Over the past three sessions the index has fallen 301.4, or 5.7 per cent.

But London's close was well above the session's low, 4,899.0, down 156.0.

Wall Street began the session under heavy downside pressure, with the Dow Jones Industrial Average posting a three-figure loss not long after trading commenced, as US investors braced themselves for the screening of the Lewinsky video.

Hard on the heels of the profit warnings from Bass, RMC and Shell, to say nothing of the alarm sounded by Alcatel of France, which impacted heavily on GEC, came another warning from a FTSE 100 constituent. EMI, which informed the market that its interims would be down around 20 per cent on the same period last year, after a significant deterioration in several overseas markets.

Dealers said London was now bracing itself for more bad news on earnings and warned that marketmakers would not take kindly to any downside surprises in current markets.

Sentiment in London was downbeat from the start of trading with Asian markets suffering again: Hong Kong dropped almost 4 per cent and Tokyo around 3 per cent.

The problems affecting the leaders saw dealers quick to adopt defensive measures in the rest of the stock market where the second liners and smallcaps, already burdened by a series of profit warnings in the recent past, had to cope with a market-wide mark-down.

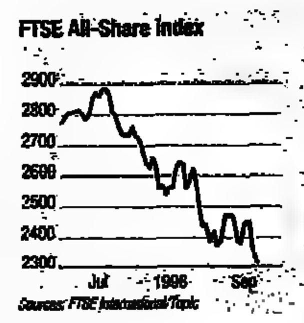
The FTSE 250's performance, down 93.7, or 2 per cent, at 4,553.1, was even more dire than that of the FTSE 100, while the FTSE SmallCap gave up 23.3, or 1.1 per cent, at 2,037.7.

"All the profit warnings have knocked the stuffing out of the market at the moment and its hard to see what will restore any much-needed confidence. Perhaps we'll get an opportunistic bid, but even the bid stories are now being replaced by rumours of profit warnings," said one marketmaker.

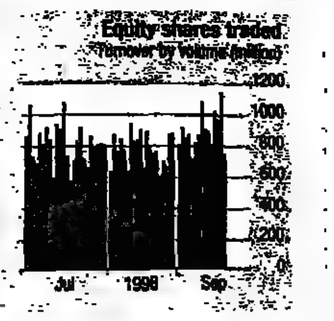
The strategy team at Credit Suisse First Boston warned that the risks to dividends, with companies retrenching, are rising. CSFB's strategy team says in its latest note; "Current trends do not bode well. The prevailing level of cover can absorb one year of earnings disappointment, but not two. We expect security of income, as well as earnings, to be a focus from here."

Turnover in equities at 6pm was a disappointing 750.2m, an indicator, according to dealers, that the big institutions had held off from selling into the current weakness.

FTSE All-Share index



Equity shares traded



Sources: FTSE International/Topic

Indices and ratios

FTSE 100	4990.3	-65.3	FT 30	3036.2	-65.9
FTSE 250	4553.1	-93.7	FTSE Non-Fins p/e	19.64	19.99
FTSE 350	2391.5	-34.4	FTSE 100 Fut Dec	5042.0	5111.5
FTSE All-Share	2321.79	-33.04	10 yr Gilt yield	5.02	5.09
FTSE All-Share yield	3.38	3.34	Long gilt/equity yld ratio	1.00	1.32

Best performing sectors

1. Tobacco +1.2
2. Oil Integrated +0.8
3. Electricity +0.7
4. Diversified Industrials +0.5
5. Gas Distribution +0.4

Worst performing sectors

1. Distributors -2.8
2. Retailers General -3.0
3. Banks Retail -3.2
4. Paper Pckg & Printing -4.4
5. Alcoholic Beverages -4.7

Profit warning hits EMI

COMPANIES REPORT

by Joel Kibazo, Peter John and Martin Brice

Shares in music publisher EMI Group plunged after it joined the growing band of companies that have issued profits warnings recently.

The company, a long-standing takeover target, said it expected operating profits in the first half to the end of September to fall by around 20 per cent from the £112.6m earned at the same stage a year earlier. EMI blamed the decline on a "significant deterioration" in certain major music markets in recent months.

Holders of the stock moving to cut holdings sent the shares tumbling 61 or 15.4 per cent to 335p, by far the worst performer among FTSE 100 constituents.

Sharp profit downgrades followed EMI's statement. Panmure Gordon's Lorna Tilbian admitted: "The severity of the profits warning was a shock." She cut her figure by £70m to £242.5m (before exceptionals).

Enterprise Oil, the exploration and production company, moved forward 20½ to 362p as the stock recovered from the weakness prompted by Shell's profits warning last week. Sunday newspaper comment suggesting BG might consider a bid because of the low ratings in the oil exploration sector also supported the shares.

Finally, Salomon Smith Barney has raised its recommendation on the stock from neutral to outperform. The US broker says: "Debt adjusted price cash flow multiples are now virtually the lowest of any of the stocks under our coverage while the shares also trade at a 15 per cent discount to net asset value."

Leisure and media company Granada Group resisted the poor market trend ahead of a visit by analysts to its media operations in Manchester today. The shares rose 19 to 720p.

Dealers suggested the visit is designed to give an opportunity to meet divisional management and discuss the company's media strategy.

Investors seeking havens turned to Associated British Foods, helping the shares advance 26 to 549p.

Dealers said they expected weakness in new Footsie constituent Telewest Group after a book-building operation by Cazenove and CSFB relating to the placing of some 100m shares or 4.7 per cent of the company's issued share capital was pulled yesterday because of the weakness in the market. The shares closed 2 off at 155p.

Fears about Allied Domecq's exposure to Latin America as the region faces an economic downturn saw shares in the UK group surrender 30 or 7.08 per cent to 394p. Those of rival Diageo, which last week suffered a profits downgrade from Warburg Dillon Read were also unwanted. They closed 23 off at 509p.

Investor appetite for outsourcing companies was highlighted by the reaction to Capita's announcement that it had won a contract worth £37m over 10 years from Westminster Council.

The shares were one of the best performers in the FTSE 250 as they shrugged off the market decline to gain 11 to 542½p. They started last year at 165p and although they have recently come off their high of 636p, they are still well above the 331p at which they started this year.

Outsourcing stocks have benefited from the slowing of the UK economy on hopes that as companies seek to cut costs, the market for outsourcing will grow.

Geoff Allum at Henderson Crosthwaite said: "Capita is almost totally immune to recession. Just 14 per cent of local authorities have outsourced so far, but within 10 years the majority are likely to have outsourced. Capita will be one of the main beneficiaries."

Elsewhere in the sector, **Rentokil Initial** was the best performer in the Footsie as it gained 22 to 310p in 7.9m traded. At meetings with analysts and investors the company has been saying it has been experiencing no sign of slowdown in the UK economy. It is due to meet US investors next month.

BTP, the speciality chemicals group, drifted down 4½ to 360p as specialist sales desks awaited news from analysts on a fact finding trip to the company's US operations.

Meanwhile, chemicals sector leaders reacted to a revised view on the sector from Goldman Sachs. The broker is increasingly cautious on the sector and has reduced its earnings per share forecasts for 12 of 16 European chemicals groups.

However, the UK sector has taken a pounding over the past few months and Goldman retains "outperform" ratings on BOC and Laporte as well as a hold recommendation on ICI, the sector leader.

ICI was steady against the market with a dip of only a penny to 500p. BOC was steady at 760p but Laporte shed 18 to 464p.

The defensive qualities of the pharmaceuticals sector were reinforced for Zeneca by some recent positive news about Chirocaine, an anaesthetic product.

Chirocaine is awaiting regulatory approval and although turnover and profit forecasts are relatively small encouraging data is seen as adding to the general bullish outlook on Zeneca's research and development portfolio. There was extra follow-through from last week's encouraging statistics about Tamoxifen, Zeneca's breast cancer drug.

Hard hit **Halifax** shares experienced more pressure yesterday with Credit Lyonnais Securities reinforcing their unenthusiastic view on the stock. The broker believes the shares represent poor value until they reach 700p, well below last year's consensus auction price. The shares fell 21 to 700.83.

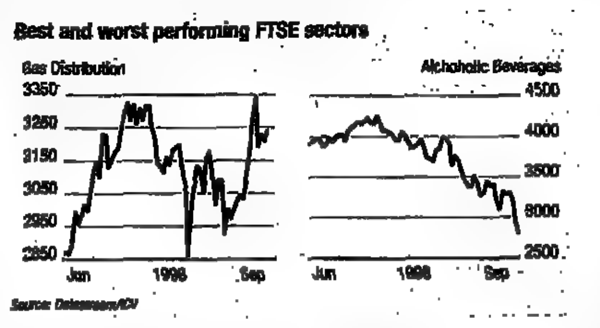
The market shredded the value of paper and packaging stocks as Dresdner Kleinwort Benson reduced earnings forecasts by an average of 13 per cent across the sector to take into account economic slowdowns along with knock-on pricing pressure in paper prices.

Specifically, the broker downgraded Arjo Wiggins Appleton from "hold" to "reduce". Arjo fell 8 to 102p, Bunzl 9 to 230p and Rexam 4½ to 190p.

Johnson Matthey was off 17½ at 293p as Dresdner Kleinwort Benson downgraded its forecasts by almost 4 per cent for this year to £135m and by 17.6 per cent for next.

Kleinwort's team now forecasts no growth until 2000. It cited an expected fall in semiconductor sales, as an industry association report said July sales were down 17 per cent on the same period last year.

Best and worst performing FTSE sectors



Source: Datastream/ICV

FT 30 INDEX

	Sep 21	Sep 18	Sep 17	Sep 16	Sep 15	Yr ago	*High	*Low
FT 30	3036.2	3102.10	3152.9	3267.0	[illegible]	3277.2	3984.0	2983.2
Ord. div. yield	3.49	3.43	3.37	3.26	3.27	3.60	4.22	2.72
P/E ratio net	19.22	19.67	19.91	20.55	20.61	20.43	28.41	15.80
P/E ratio nil	19.14	19.49	19.82	20.46	20.42	20.15	28.19	15.71

FT 30 since compilation: high 3920.3 11/05/98; low 49.4 26/06/40. Base Date: 1/7/35.

FT 30 hourly changes

9	10	11	12	13	14	15	16	High	Low
3102.1	3042.4	3024.7	3043.0	3029.8	3026.7	2995.0	3021.6	3107.2	2988.2

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STOCK MARKET TRADING DATA

	Sep 21	Sep 18	Sep 17	Sep 16	Sep 15	Yr ago
SEAQ bargains	73,503	78,499	55,868	62,825	57,400	46,662
Equity turnover (£m)†	-	3026.9	2905.6	2950.9	2443.8	2598.9
Equity bargains†	-	44,490	49,500	45,481	42,053	43,309
Shares traded (mil)†	-	871.9	890.7	822.6	787.7	795.9
Total market bargains‡	-	70,799	58,130	63,790	57,367	-
Total turnover (£m)‡	-	4504.4	4306.6	4233.2	3445.8	-
Total shrs traded (mil)‡	*750.2	1207.9	1216.0	1098.6	987.6	-
Tradepoint turnover (£m)	13.9	25.4	23.5	28.0	17.4	3.3
Tradepoint shrs traded(m)	5.4	8.2	7.5	9.8	6.8	0.4

†Excluding intra-market and overseas turnover but including Crest turnover. *UK only total at 6pm. ‡ UK plus intra-market turnover.

■ London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	385	Total Highs	58	Total contracts	29,053
Total Falls	1,372	Total Lows	333	Calls	18,819
Same	1,212			Puts	10,234

Sep 21 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FTSE 100 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	5075.0	5042.0	-88.0	5087.0	4960.0	27849	201618
Mar		5085.0	-88.0			0	1941

■ FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec		4630.0	-95.0			0	7088

■ FTSE 100 INDEX OPTION (LIFFE) (*4984) £10 per full index point

	4800 C	4800 P	4850 C	4850 P	4900 C	4900 P	4950 C	4950 P	5000 C	5000 P	5050 C	5050 P	5100 C	5100 P	5150 C	5150 P
Oct	369	174	334½	191	304½	212½	274½	233½	244½	255	214½	278½	187	301	165½	330
Nov	494½	280½	464½	301	434½	321	404	341½	374	361½	344	382	314	402½	286½	427
Dec	572	325½	542½	346	513½	366	484	395½	455½	407	426	435½	395½	456½	365	488
Mar	624	363½	596½	389	571½	436½	547½	436½	523	461½	489	486½	474½	511½	460	536
Jun†	877	578			831	627½			782	675			731	721		

Calls 1,163 Puts 727

■ EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point

	4825 C	4825 P	4875 C	4875 P	4925 C	4925 P	4975 C	4975 P	5025 C	5025 P	5075 C	5075 P	5125 C	5125 P	5175 C	5175 P
Oct	346	182	313½	199	282	217½	252	237½	224	259	198	282½	173½	307½	150½	334½
Nov	482½	294½	449	310½	416½	327½	385	345½	358	364½	326½	385	297½	406	271	429
Dec	562	339	522	359	491½	378½	461½	398	431½	414½	403½	436	377	458½	349	480
Mar	742½	462			692½	528			625½	567½			579	606½		
Jun†	886	558			802	599			749	640½			760	686		

Calls 9,552 Puts 4,610 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1998 High	1998 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
*	F.P.	10,179	859	626½	Alld Zurich	659	-16	Q17.7c	3.3	1.6	0.4
*	F.P.	0.38	12½	6	[illegible]	12½		-	-	-	-
160	F.P.	1,798	182½	145	Coca-Cola Bev	166½	-13	-	-	-	-
-	F.P.	-	58	55½	Enterprise Cap B Pf	55½		-	-	-	-
-	F.P.	-	189½	60	GEC Pst Wts	164	+26½	-	-	-	-
§130	F.P.	116.8	129½	120½	Kiln	127½	-1	W-	-	-	14.4
-	F.P.	369.5	99	98	MEPC Rdn Cum Pf B	98	-½	-	-	-	-
-	F.P.	-	5	4	†Mano River (UK)	5		-	-	-	-
-	F.P.	14.3	114½	109½	†Mentor	112½		b3.5	-	4.0	-
§	F.P.	4.19	18	10	Murray Extra Inc Cap	12	-1½	-	-	-	-
§100	F.P.	29.1	109	99	Do Inc	106½		b7.95	-	9.3	-
§	F.P.	23.7	100½	98½	Do Zero Div Prf	99½	+½	-	-	-	-
§32	F.P.	4.02	32½	28½	†Parallel Pictures	28½		-	-	-	-
§85	F.P.	4.08	[illegible]	[illegible]	†Private & Comm Fin	85½	+½	N0.5	-	1.1	15.8
*	F.P.	13.2	66½	37½	†Sodra Petroleum	37½		-	-	-	-
*	F.P.	[illegible]	103½	90½	†SupaRola	90½		-	-	-	-
-	F.P.	-	34	20½	Syndicate Cap Wts 98/02	21½		-	-	-	-
-	F.P.	-	36½	32½	Walker Greenbank B	34		-	-	-	-
§2	F.P.	2.46	2½	2½	†Wilmslow	2½		-	-	-	-

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

FTSE GOLD MINES INDEX

	Sep 18	% chg on day	Sep 17	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (27)	985.25	+0.8	977.07	1334.87	2.81	-	1526.45	701.58
■ Regional Indices								
Africa (9)	1062.95	-1.8	1082.32	1280.27	4.58	41.79	1828.29	765.83
Australasia (7)	1048.94	+0.9	1039.35	1399.51	3.02	7.28	1609.66	815.93
Americas (11)	949.87	+1.7	933.86	1358.76	0.72	55.77	1574.16	847.69

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FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

	Sep 21	Day's chge%	Sep 18	Sep 17	Year ago	Gross yield%	Net yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FTSE 100	4990.3	-1.3	5055.6	5132.9	5075.7	3.22	2.74	1.87	19.84	117.60	2199.13
FTSE 250	4553.1	-2.0	4646.8	4687.2	4707.2	3.83	3.34	2.06	15.21	106.83	1966.49
FTSE 250 ex Inv Tr	4607.7	-1.9	4697.4	4743.7	4717.6	4.07	3.46	2.14	14.36	110.47	1998.09
FTSE 350	2391.5	-1.4	2425.9	2460.1	2438.6	3.38	2.84	2.00	18.71	58.25	2153.23
FTSE 350 ex Inv Tr	2397.8	-1.4	2431.9	2466.8	2440.2	3.36	2.86	2.01	18.52	56.70	1107.43
FTSE 350 Higher Yield	2302.4	-1.3	2333.4	2369.0	2368.1	4.50	3.80	1.92	14.44	70.43	1775.28
FTSE 350 Lower Yield	2480.1	-1.5	2518.4	2551.6	2516.2	2.12	1.83	2.16	27.26	44.05	1811.92
FTSE SmallCap	2037.69	-1.1	2060.97	2072.22	2296.81	4.01	3.26	1.97	15.81	48.18	1765.20
FTSE SmallCap ex Inv Tr	2035.48	-0.9	2053.21	2067.39	2276.23	4.28	3.46	2.07	14.18	48.48	1602.34
FTSE All-Share	2321.79	-1.4	2354.83	2386.94	2381.51	3.38	2.87	1.99	18.53	54.48	2121.49
FTSE All-Share ex Inv Tr	2331.40	-1.4	2363.97	2397.00	2383.87	3.40	2.89	2.01	18.28	55.12	1096.07

■ *FTSE* Actuaries Industry Sectors

	Sep 21	Day's chge%	Sep 18	Sep 17	Year ago	Gross yield%	Net yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 RESOURCES(22)	3875.47	+0.4	3859.88	3941.76	5037.24	3.82	3.41	1.66	19.62	97.43	1793.23
12 Extractive Industries(6)	2464.67	-2.3	2523.18	2541.85	4169.45	5.85	6.30	2.00	11.07	125.24	793.43
15 Oil, Integrated(4)	4462.54	+0.8	4427.79	4525.28	5403.14	3.66	3.26	1.65	20.71	98.59	2120.22
16 Oil Exploration & Prod(12)	1978.51	----	1976.72	2047.89	3747.47	2.73	2.39	0.89	46.25	45.60	1236.25
20 GEN INDUSTRIALS(214)	1550.08	-1.4	1572.71	1593.31	2115.70	4.73	4.16	2.21	11.94	50.66	920.81
21 Construction(38)	1183.33	-1.4	1199.59	1211.13	1381.28	4.28	3.46	2.85	10.26	30.88	1064.95
22 Building Matls & Merchs(28)	1320.64	-1.1	1335.25	1350.78	1854.02	5.01	4.07	2.10	10.61	45.11	725.97
23 Chemicals(22)	1800.11	-1.0	1818.95	1839.39	2711.71	5.41	6.03	1.70	13.57	66.57	931.81
24 Diversified Industrials(7)	980.21	+0.8	975.47	984.10	1815.15	6.69	6.49	2.03	10.42	66.21	620.37
25 Electronic & Elect Equip(26)	2200.85	-0.5	2211.28	2230.20	2210.17	3.46	2.81	1.82	19.83	54.98	1229.82
26 Engineering(62)	1960.04	-2.2	2004.28	2021.94	2897.72	4.81	4.38	2.26	11.18	66.82	1279.09
27 Engineering, Vehicles(11)	2969.19	-0.2	2984.72	3045.16	3370.05	2.98	2.72	3.24	12.94	62.10	1658.73
28 Paper, Pckg & Printing(22)	1439.37	-4.4	1505.08	1541.27	2273.44	6.17	5.61	2.43	8.32	63.65	659.49
30 CONSUMER GOODS(91)	5157.98	-1.3	5225.91	5284.09	4666.75	2.76	2.43	1.79	25.36	107.91	2051.16
32 Alcoholic Beverages(6)	2822.58	-4.7	2962.17	3014.42	3347.38	4.80	4.06	1.60	16.31	69.61	1106.54
33 Food Producers(25)	3169.11	-0.7	3189.44	3282.44	3054.38	3.15	2.89	2.14	18.55	71.02	1543.73
34 Household Goods & Texts(24)	2370.42	-1.5	2406.94	2410.32	3172.62	4.41	3.91	1.93	14.79	59.41	1003.48
36 Health Care(13)	2123.80	----	2123.44	2115.21	2208.84	2.43	2.25	2.27	22.62	32.96	1382.32
37 Pharmaceuticals(16)	9320.95	-1.1	9423.83	9392.81	7630.21	1.89	1.76	1.59	41.67	155.31	3355.37
38 Tobacco(3)	5977.43	+1.2	5904.81	5789.95	4379.07	5.84	4.67	1.96	10.93	152.07	1679.27
40 SERVICES(260)	3056.51	-1.5	3104.29	3166.82	2833.17	2.80	2.30	2.07	21.55	65.37	1692.23
41 Distributors(28)	1846.26	-2.7	1898.43	1937.83	2826.81	5.37	4.44	1.99	11.70	63.75	733.80
42 Leisure & Hotels(27)	2646.85	-0.4	2657.45	2697.83	3226.69	3.57	2.99	2.62	13.37	76.53	1610.90
43 Media(40)	3902.78	-0.7	3930.19	3994.13	4275.32	2.68	2.25	2.15	21.76	81.80	1489.43
44 Retailers, Food(13)	2836.44	-0.8	2858.55	2845.21	2010.75	3.20	2.56	2.12	18.42	55.26	1944.33
45 Retailers, General(50)	1940.51	-3.0	2001.30	2036.70	2293.78	3.85	3.10	2.51	14.88	48.25	1192.67
46 Telecommunications(9)	4272.17	-2.3	4373.52	4526.76	2394.33	2.02	1.67	1.49	41.46	47.70	2095.45
47 Breweries, Pubs & Rest.(24)	3069.11	+0.3	3060.50	3113.06	3400.78	4.01	3.22	2.36	13.19	66.01	1576.25
48 Support Services(65)	4068.05	-0.1	4071.09	4184.35	3298.79	1.59	1.29	2.74	29.76	38.93	2007.75
49 Transport(24)	3240.92	-2.2	3314.05	3333.10	2981.48	3.27	2.71	1.88	20.35	71.53	1457.48
60 UTILITIES(22)	4192.49	----	4191.24	4142.78	3134.96	3.86	3.16	1.77	18.26	92.24	2021.88
62 Electricity(8)	4661.03	+0.7	4628.72	4537.44	3544.01	4.32	3.45	1.90	15.25	113.38	2756.70
64 Gas Distribution(2)	3223.33	+0.4	3209.69	3228.00	2350.09	2.10	1.98	‡	‡	28.03	1862.99
68 Water(12)	3675.35	-1.4	3727.72	3678.50	2969.79	4.65	3.99	2.33	11.52	112.14	2300.24
69 NON-FINANCIALS(629)	2410.76	-1.1	2437.60	2472.31	2404.40	3.25	2.78	1.95	19.71	51.90	1977.10
70 FINANCIALS(109)	4218.76	-2.2	4315.49	4372.21	4657.77	3.89	3.23	2.17	14.80	128.46	1970.93
71 Banks, Retail(12)	5819.69	-3.2	6010.33	6125.91	7190.07	4.38	3.51	2.12	13.48	196.98	2060.36
73 Insurance(16)	1957.85	-0.8	1973.84	1989.87	1902.95	3.59	3.40	2.23	15.63	74.16	1020.75
74 Life Assurance(7)	6922.79	-1.4	7017.96	7009.19	5144.86	2.75	2.38	2.69	17.51	139.98	3106.91
77 Other Financial(25)	3338.71	-1.4	3387.07	3439.61	3303.74	3.22	2.65	2.54	15.30	82.12	2051.89
79 Property(48)	1832.21	+0.2	1828.90	1834.06	2024.04	3.61	3.04	1.62	21.30	59.28	1211.79
80 INVESTMENT TRUSTS(115)	3083.46	-2.3	3156.67	3160.81	3522.75	2.64	2.14	1.17	40.50	52.23	1129.37
89 FTSE All-Share(850)	2321.79	-1.4	2354.83	2386.94	2381.51	3.38	2.87	1.99	18.53	54.48	2121.49
105 FTSE All-Share ex Inv Tr(735)	2331.40	-1.4	2363.97	2397.00	2383.87	3.40	2.89	2.01	18.28	55.12	1096.07
Information Technology	1384.54	-3.1	1428.67	1445.95	-	0.68	0.54	4.08	49.14	5.20	1390.44
FTSE Fledgling	1144.68	-0.9	1155.62	1159.45	1272.70	3.86	3.12	1.40	23.10	26.73	1278.99
FTSE Fledgling ex Inv Tr	1173.66	-0.7	1182.10	1187.00	1275.98	4.15	3.36	1.49	20.22	29.13	1317.99
FTSE AIM	859.7	-1.5	872.7	874.1	1016.1	1.31	1.05	0.24	80.00†	7.73	797.16

■ Hourly movements

	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FTSE 100	5055.6	4960.3	4939.8	4973.6	4956.1	4949.0	4916.5	4957.5	5047.2	4899.6
FTSE 250	4634.0	4617.8	4592.4	4584.7	4580.5	4577.5	4554.8	4562.2	4634.0	4547.4
FTSE 350	2424.7	2385.6	2375.1	2387.7	2380.5	2377.4	2363.2	2378.4	2421.3	2357.2
FTSE SmallCap	2053.68	2051.04	2047.55	2044.45	2043.07	2042.34	2038.85	2038.84	2054.81	2037.69
FTSE All-Share	2353.30	2317.20	2307.39	2318.80	2312.04	2309.15	2295.96	2309.87	2350.16	2290.48

Time of FTSE 100 Day's high: 9:03:00 Day's low: 14.31.30 FTSE 100 1998 High: 6179.0 (20/07/98) Low: 4899.6 (21/09/98)
Time of FTSE All-Share Day's high: 9:03:00 Day's low: 14:35:00. FTSE All-Share 1998 High: 2685.20 (20/07/98) Low: 2321.80 (21/09/98)
Further information is available on http://www.ftse.com
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† Sector P/E ratios greater than 80 are not shown. ‡ Values are negative. Quarterly changes: Please refer to Press Release section on www.ftse.com. Deletion: Concentric (FTSE SmallCap) & (25); Dyson A Enfranchisement (FTSE Fledgling); Insert: Dyson Ord (FTSE Fledgling).

FTSE INTERNATIONAL

TRADING VOLUME

■ Major Stocks yesterday.

	Vol 000's	Closing price	Day's change
3i	788	498	+18
AMVESCAP	1,300	395	+1
ASDA Group	6,300	187½	-2¼
Abbey National	[illegible]	1111	-14
Alliance & Leicester	1,800	847	-15
Allied Domecq	2,800	394	-30
Allied Zurich	9,300	680	-19
Anglian Water†	217	604	-36
Assoc. Brit. Foods	1,500	549	+26
BAA	2,100	578	-20½
BOC	870	760	
BG	4,000	377	+1½
BP	10,000	824½	+6
BSkyB	1,700	500	+7
BT	7,900	785½	-7
BTR	11,300	108½xd	-2
Bank of Scotland	2,800	569	+3½
Barclays	3,700	1085	-70
Bass	1,200	678	-7
Billiton	1,800	118	-3
Boots	882	920	-38
Britannic Assurance†	65	1330	+10
Brit. Aerospace	6,700	359	-7
British Airways	8,800	366	[illegible]
Brit. Amer. Tobacco	17,200	447½	+9½
British Energy	8,200	562	+2
British Land	1,800	582	+14
CGU	3,600	879	-13
CMG†	204	1890	-177½
COLT Telecom	2,900	996	-47½
Cable & Wireless	4,000	516	-18
Cadbury Schweppes	3,800	835	-10
Carlton Comms.	5,800	381	+1
Centrica	8,500	104½	+¼
Compass	790	550	+7
Diageo	4,300	509	-23
EMI	6,000	336	-61
Dixons†	3,800	689	+6½
Foreign & Col. I T	628	149	-5
General Electric	4,000	411	
Gallaher†	4,600	405xd	+11½
Glaxo Wellcome	5,600	1773	-89
Granada	2,690	720	+19
GUS	3,700	690	-69
GRE	2,700	249	-7
GKN	1,800	593	+3
HSBC (75p shs)	3,200	1037	-43
HSBC (HK$10)	1,700	992	-63
Halifax	3,200	714	-21
Hays	2,100	545	-5
ICI	2,800	500	-1
Imperial Tobacco†	921	564½	-5½
Kingfisher	2,300	487	-24
Ladbroke	2,800	215	-3½
Land Securities	5,600	880	+1½
Legal & General	2,700	665	-8
Lloyds TSB	7,100	682	-20
LucasVarity	8,200	190½	-¾
Marks & Spencer	6,800	425	-17½
Misys	2,500	500	-7
NatWest Bank	2,500	842	-24
National Grid	2,900	438½	+1½
National Power	3,300	558	-5
Norwich Union	3,400	441	-18½
Nycomed Amersham	675	363	+12
Orange	1,900	554	-17
Pearson	1,700	1012	-28
P & O	2,500	820	-25
PowerGen	2,400	694½	+14½
Prudential	2,800	822xd	+3
Railtrack	7,400	1544	
Reckitt & Colman	413	862	-18
Reed Int.	6,500	503	+8
Rentokil Initial	7,800	318	+22
Reuters	6,900	516	+12½
Rio Tinto	4,000	651½xd	-5½
Rolls Royce	5,100	190	-3
Royal & Sun Alliance	5,600	469	+18
Royal Bank Scotland	1,200	694	-11
Safeway	7,300	312	+6
Sainsbury	3,700	544½	-½
Schroders	164	1000xd	+5
Schroders N/V	118	885xd	-40
Scottish & Newcastle	3,400	690	+12
Scottish Power	3,300	601	+8
Securicor	1,500	445	-28
Sema	2,300	577xd	-18
Severn Trent	1,400	1075	-35
Shell Transport	20,700	338	+7
Siebe	4,800	180	-1½
SmithKline Beecham	6,300	662	-12
Smiths Inds.	3,200	712½	-4½
Southern Electric	2,900	634	-2
Stagecoach	724	1089	-5
Standard Chartered	3,400	375	-15
Sun Life & Provincial	173	619½	-2½
TeleWest Comms.	8,300	155	-2
Tesco	13,100	161	-1
Thames Water	1,500	1118	-3
Tomkins	1,500	236	+2
Unilever	10,800	480	-4½
Utd. News & Media	868	575xd	+28
United Utilities	2,800	917	-5
Vodafone	10,000	730	-30
WPP	1,500	287½	-½
Whitbread	935	718	+23
Williams	6,900	315xd	-3½
Woolwich	4,400	340	
Zeneca	2,300	2249	+29

Based on trading volume for the FTSE 100 constituent companies and reserves yesterday until 4.30pm. † Indicates a FTSE 100 index reserve. All trades are rounded. Source: Extel, part of FT information.

Recommended Exchange Offer

by

DEUTSCHE BANK AG
GOLDMAN, SACHS & CO. OHG and
CREDIT SUISSE FIRST BOSTON AG

on behalf of

DAIMLERCHRYSLER AG

to acquire all of the shares of

DAIMLER-BENZ AKTIENGESELLSCHAFT

Deutsche Bank AG, Goldman, Sachs & Co oHG and Credit Suisse First Boston AG announce, on behalf of DaimlerChrysler AG, Stuttgart, Germany ("DaimlerChrysler"), a recommended exchange offer (the "Exchange Offer") to acquire by means of an offer document dated September 1998 (the "Exchange Offer Document") all of the issued bearer no-par value shares of Daimler-Benz AG with a pro rata amount of the stated capital of Daimler-Benz AG, Stuttgart, Germany ("Daimler-Benz"), allocable to each share of DM 5.00, with dividend coupons no. 68 through no. 70 and renewal coupon (the "Daimler-Benz Shares") for registered no-par value shares of DaimlerChrysler AG, with a pro rata amount of the stated capital of DaimlerChrysler AG allocable to each share of DM 5.00, with right to dividends as of the beginning of the first fiscal year of DaimlerChrysler AG ending on 31st December, 1998 (the "DaimlerChrysler Shares"). The shares delivered for exchange will be transferred to DaimlerChrysler through a capital increase by means of a contribution in kind in exchange for the issuance of new DaimlerChrysler Shares (the "Daimler-Benz Capital Increase").

Terms defined in the Exchange Offer Document have the same meanings in this advertisement. The Exchange Offer is made by means of the Exchange Offer Document and is made to all holders of Daimler-Benz Shares, including those to whom the Exchange Offer Document is not being dispatched.

The Exchange Offer, which is subject to the conditions and the terms set out in the Exchange Offer Document, is made on the following basis:

For every Daimler-Benz Share — 1 DaimlerChrysler Share

If at the end of the Exchange Offer period the Exchange Offer is accepted with respect to at least 90 per cent. of the Daimler-Benz Shares, or if on the day of the registration of the implementation of the Daimler-Benz Capital Increase in the commercial register of DaimlerChrysler at least 90 per cent. of the then issued and outstanding Daimler-Benz Shares are transferred as a contribution in kind, the exchange ratio shall be:

For every Daimler-Benz Share — 1.005 DaimlerChrysler Shares

Application has been made or it is intended that application will be made to all German stock exchanges, the New York Stock Exchange, the Chicago Stock Exchange, the Pacific Stock Exchange, the Philadelphia Stock Exchange, the Montreal Stock Exchange, the Toronto Stock Exchange, the Tokyo Stock Exchange, the Paris Stock Exchange, the Swiss Stock Exchange, the Vienna Stock Exchange and the London Stock Exchange for the new DaimlerChrysler Shares, to be issued pursuant to the Daimler-Benz Capital Increase, to be admitted to the Official List.

The Exchange Offer, which is made by means of the Exchange Offer Document, is capable of acceptance from and after **24th September, 1998** until **12.00 noon on Friday 23rd October, 1998**, and is made to **all Daimler-Benz shareholders**, including those to whom the Exchange Offer Document may not be dispatched. The full terms and conditions of the Exchange Offer are set out in the Exchange Offer Document. Accepting Daimler-Benz shareholders may rely only upon the Exchange Offer Document for all the terms and conditions of the Exchange Offer. This advertisement does not constitute, and must not be construed as, the Exchange Offer. Copies of the Exchange Offer Document are available for collection during normal business hours from Deutsche Bank AG, 6 Bishopsgate, London EC2N 4DA.

Shareholders in the United Kingdom wishing to accept the Exchange Offer should lodge their duly completed Acceptance Forms, together with their documents of title, by post or by hand to Deutsche Bank AG London, 23 Great Winchester Street, London EC2P 2AX, quoting reference "DCX", so as to arrive if possible not later than 12.00 noon on Wednesday 21st October, 1998 and, in any event, not later than 12.00 noon on Friday 23rd October, 1998 (or such later time(s) and/or date(s) as DaimlerChrysler may, subject to the Exchange Offer Document and the rules of the German Takeover Code, decide).

This advertisement is published on behalf of DaimlerChrysler by Deutsche Bank AG, Goldman, Sachs & Co oHG and Credit Suisse First Boston AG. Deutsche Bank AG, Goldman, Sachs & Co oHG and Credit Suisse First Boston AG are acting for DaimlerChrysler and will not be responsible to anyone other than DaimlerChrysler for providing the protections afforded to customers of Deutsche Bank AG, Goldman, Sachs & Co oHG and Credit Suisse First Boston AG or for providing advice in relation to the Exchange Offer.

DaimlerChrysler accepts responsibility for the information contained in this advertisement and, to the best of its knowledge and belief (having taken all reasonable care to ensure that such is the case), the information contained in this advertisement is in accordance with the facts and does not omit anything likely to affect the import of such information.

This advertisement and the Exchange Offer Document have been approved by Deutsche Bank AG, London, regulated by the Securities and Futures Authority for the conduct of investment business in the UK, solely for the purposes of Section 57 of the Financial Services Act 1986.

22nd September, 1998

هكذا من الأصل

هكذا من الاصل

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Sep 21 / Sch)

[illegible]

BELGIUM/LUXEMBOURG (Sep 21 / Frs.)

[illegible]

CZECH REP (Sep 21 / Koruna)

[illegible]

DENMARK (Sep 21 / Kr)

[illegible]

FINLAND (Sep 21 / Mkk)

[illegible]

FRANCE (Sep 21 / Frs.)

[illegible]

GERMANY (Sep 21 / Dm.)

[illegible]

GREECE (Sep 21 / Drachma)

[illegible]

ITALY (Sep 21 / Lire)

[illegible]

NETHERLANDS (Sep 21 / Fls.)

[illegible]

NORWAY (Sep 21 / Kroner)

[illegible]

POLAND (Sep 21 / Zloty)

[illegible]

PORTUGAL (Sep 21 / Escudo)

[illegible]

SPAIN (Sep 21 / Pts.)

[illegible]

SWEDEN (Sep 21 / Kronor)

[illegible]

SWITZERLAND (Sep 21 / Frs.)

[illegible]

TURKEY (Sep 21 / Tk Lira)

[illegible]

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PACIFIC

JAPAN (Sep 21 / Yen)

[illegible]

HONG KONG (Sep 21 / H.K.$)

[illegible]

INDONESIA (Sep 21 / Rupiah)

[illegible]

MALAYSIA (Sep 21 / MYR)

[illegible]

NEW ZEALAND (Sep 21 / NZ $)

[illegible]

SINGAPORE (Sep 21 / S$)

[illegible]

AUSTRALIA (Sep 21 / Aust$)

[illegible]

SOUTH KOREA (Sep 21 / Won)

[illegible]

TAIWAN (Sep 21 / TW $)

[illegible]

THAILAND (Sep 21 / Baht)

[illegible]

AMERICAS

CANADA

TORONTO (Sep 21 / Can $) 4 pm close

[illegible]

MONTREAL (Sep 21 / Can $) 4 pm close

[illegible]

MEXICO (Sep 21 / Peso) 12:30pm

[illegible]

AFRICA

SOUTH AFRICA (Sep 21 / Rand)

[illegible]

Prices supplied by Extel, part of FT Information.

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. * Calendar year high and low. ‡ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

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FT/S&P ACTUARIES WORLD INDICES

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NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	FRIDAY SEPTEMBER 18 1998 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	THURSDAY SEPTEMBER 17 1998 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (72)	173.46	−0.8	152.63	145.64	152.54	195.56	−0.1	3.63	174.84	153.68	146.16	152.79	195.85	238.24	163.86	227.57
Austria (22)	181.29	−0.3	159.52	152.21	159.42	159.33	0.3	2.12	181.87	159.76	152.04	158.94	158.85	253.73	181.29	200.21
Belgium (22)	352.90	−2.4	310.52	296.30	310.34	303.73	−1.8	2.26	361.55	317.60	302.26	315.97	309.30	398.52	234.33	245.05
Brazil (26)	137.35	3.5	120.85	115.32	120.78	298.52	3.5	3.94	132.77	116.63	110.99	116.03	288.37	308.59	102.68	278.44
Canada (119)	177.38	0.6	156.08	148.93	155.99	196.33	0.9	2.04	176.35	154.91	147.43	154.12	194.53	248.78	167.18	223.33
Denmark (34)	445.83	−3.0	392.29	374.32	392.06	391.06	−2.5	1.66	459.77	403.87	384.36	401.80	400.99	537.33	389.89	390.28
Finland (28)	394.49	−1.5	347.12	331.22	346.91	405.85	−0.9	2.16	400.66	351.95	334.95	350.15	430.35	506.46	267.59	307.42
France (78)	282.54	−2.3	248.61	237.22	248.46	251.38	−1.8	2.50	289.26	254.09	241.82	252.79	255.85	345.18	217.58	236.43
Germany (55)	253.52	−2.2	223.07	212.85	222.94	222.04	−1.6	1.43	259.27	227.75	216.75	226.58	226.58	325.61	204.89	223.36
Greece (37)	261.59	−1.3	230.10	219.63	230.04	545.18	−0.7	1.73	265.00	232.78	221.54	231.59	546.61	333.20	243.18	–
Hong Kong, China (68)	225.75	−1.9	198.64	189.54	198.52	224.53	−2.0	6.73	230.23	202.24	192.47	201.20	229.01	518.79	196.64	508.97
Indonesia (26)	20.96	−6.7	18.44	17.59	18.43	142.69	−6.8	4.58	22.45	19.72	18.77	19.62	153.02	156.30	20.96	148.52
Ireland (16)	422.69	−0.1	371.93	354.89	371.71	402.68	0.4	2.36	423.29	371.83	353.87	369.93	401.22	380.44	359.60	370.33
Italy (54)	141.36	−0.9	124.38	118.68	124.31	176.47	−0.4	1.66	142.72	125.37	119.31	124.73	177.12	184.49	103.30	107.59
Japan (480)	83.49	−0.1	73.46	70.10	73.42	70.10	0.3	1.12	83.55	73.40	69.85	73.02	69.95	123.57	78.40	117.67
Malaysia (106)	112.16	1.9	98.69	94.17	98.63	164.14	1.9	3.77	110.06	96.69	92.02	96.20	161.10	819.52	73.52	313.40
Mexico (29)	995.29	4.7	875.77	835.65	875.25	11084.27	2.9	2.46	950.23	834.71	794.39	830.43	10753.30	1901.98	787.15	1788.95
Netherlands (27)	432.63	−3.8	380.67	363.23	380.44	378.69	−3.2	2.47	449.86	395.17	376.08	393.14	389.27	562.38	380.20	410.92
New Zealand (14)	48.40	−2.8	42.59	40.64	42.57	50.88	−2.1	6.04	49.81	43.75	41.64	43.53	51.97	95.87	48.40	80.45
Norway (37)	210.20	−2.1	184.96	176.49	184.85	213.95	−1.7	2.94	214.65	188.55	179.44	187.58	217.59	374.64	208.82	342.97
Philippines (22)	47.11	−8.4	41.46	39.56	41.43	103.08	−8.1	1.58	51.44	45.19	43.01	44.96	112.16	106.98	42.48	96.40
Portugal (18)	243.31	−1.4	214.09	204.28	213.96	288.70	−0.8	1.13	246.82	216.81	206.34	215.70	291.08	299.39	235.61	–
Singapore (41)	119.20	−3.3	104.88	100.06	104.82	94.62	−3.3	3.20	123.28	108.29	103.05	107.74	97.86	305.58	102.45	305.58
South Africa (39)	169.31	−0.2	148.98	142.15	148.89	227.31	−0.4	3.98	169.66	149.03	141.83	148.27	228.15	346.20	161.55	330.00
Spain (31)	304.99	−1.0	268.36	256.07	268.20	332.11	−0.4	2.30	308.16	270.69	257.62	269.31	333.32	417.73	298.28	269.86
Sweden (49)	442.20	−1.7	389.10	371.27	388.87	513.34	−1.3	2.30	449.66	394.99	375.91	392.97	520.04	628.19	439.98	515.01
Switzerland (28)	363.70	−1.8	320.02	305.36	319.83	313.73	−1.0	1.33	370.30	325.28	309.57	323.61	317.04	439.48	301.11	311.89
Thailand (36)	9.68	1.5	8.51	8.12	8.51	15.27	1.5	6.17	9.54	8.38	7.97	8.33	15.05	45.52	8.15	38.85
United Kingdom (210)	331.90	−1.7	292.05	278.67	291.87	292.05	−1.5	3.35	337.80	296.56	282.23	295.04	296.56	401.84	314.38	320.02
USA (622)	416.76	0.2	366.71	349.91	366.50	416.76	0.2	1.57	415.82	365.27	347.63	363.40	415.82	485.86	358.31	385.50
Americas (796)	371.51	0.3	326.90	311.92	326.70	315.03	0.3	1.81	370.46	325.43	309.71	323.76	314.13	437.03	326.79	352.30
Europe (746)	309.85	−2.0	272.46	259.96	272.30	280.64	−1.5	2.41	315.87	277.47	264.07	276.05	284.94	386.24	267.44	280.62
Eurobloc (351)	89.07	−2.2	78.37	74.78	78.32	84.75	−1.8	2.03	91.06	79.99	76.13	79.58	86.12	113.26	89.07	–
Nordic (148)	408.97	−1.9	359.86	343.37	359.64	407.45	−1.4	2.20	416.94	366.25	348.56	364.38	413.43	555.97	388.51	435.85
Pacific Basin (863)	88.51	−0.3	77.88	74.31	77.83	75.59	0.1	1.89	88.81	78.01	74.24	77.61	75.54	138.87	83.29	133.94
Euro-Pacific (1609)	180.58	−1.5	158.90	151.61	158.80	152.61	−1.1	2.26	183.37	161.08	153.30	160.25	154.27	220.19	172.03	195.15
North America (741)	400.72	0.2	352.60	336.45	352.39	401.65	0.2	1.59	399.77	351.16	334.20	349.37	400.64	469.20	349.06	375.46
Europe Ex. UK (536)	288.24	−2.1	253.62	242.00	253.47	268.64	−1.5	1.94	294.45	258.65	246.16	257.33	270.71	368.32	236.86	252.96
Europe Ex. Eurobloc (395)	85.05	−1.7	74.84	71.41	74.79	83.24	−1.4	2.79	86.56	76.03	72.36	75.64	84.44	103.93	85.05	–
Europe Ex. UK Ex. Eurobloc (185)	86.09	−1.8	75.76	72.29	75.71	82.55	−1.2	1.84	87.71	77.05	73.32	76.65	83.56	109.21	86.09	–
Pacific Ex. Japan (383)	140.83	−1.3	123.92	118.24	123.85	149.47	−1.0	4.93	142.75	125.39	119.34	124.75	151.04	277.07	128.36	274.07
World Ex. Eurobloc (2093)	87.42	−0.2	76.92	73.40	76.88	87.51	−0.1	1.89	87.59	76.94	73.23	76.55	87.58	103.16	83.83	–
World Ex. US (1822)	180.44	−1.4	158.77	151.50	158.68	158.98	−0.9	2.28	182.91	160.68	152.91	159.85	158.45	221.91	175.30	199.73
World Ex. UK (2234)	249.50	−0.4	219.54	209.48	219.41	228.14	−0.2	1.74	250.47	220.02	209.40	218.90	228.56	298.02	234.24	253.47
World Ex. Japan (1964)	342.57	−0.6	301.43	287.63	301.26	293.11	−0.4	1.99	344.57	302.68	288.05	301.13	334.45	411.23	309.33	330.76
The World Index (2444)	256.53	−0.5	225.73	215.39	225.59	232.19	−0.3	1.91	257.90	226.54	215.60	225.38	232.86	308.56	241.30	259.17

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Emerging markets: IFC investable indices

Sept 18 Market	Dollar terms	Day's chg %	% Chg since 31/12/97
Latin America			
Argentina	870.28	+2.3	−39.9
Brazil	279.46	+3.6	−42.1
Chile	363.53		−43.4
Colombia[1]	314.34	−0.3	−51.9
Mexico	427.25	+4.4	−45.8
Peru[2]	130.38	−0.6	−41.1
Venezuela[3]	283.26	+8.7	−69.0
East Asia			
China[4]	27.55	−3.9	−60.2
India[5]	65.32	−0.9	−21.6
Indonesia[6]	10.10	−7.9	−70.0
Korea[4]	22.93	−3.4	−4.6
Malaysia	63.35	+1.7	−40.5
Pakistan[8]	103.51	−2.2	−58.3
Philippines	68.49	−10.4	−39.3
Sri Lanka[10]	61.42	−2.7	−47.2
Taiwan, China[9]	108.00	−0.7	−23.4
Thailand	34.87	−0.1	−25.0
Europe			
Czech Rep	42.18	−0.3	−23.0
Greece	472.62	−1.1	+45.0
Hungary	182.13	−0.7	−39.0
Poland	482.77	−3.1	−19.1
Portugal	271.04	−1.1	+28.4
Russia	15.39	−7.6	−89.7
Slovakia	57.39	+0.6	−42.1
Turkey	141.74	+16.5	−54.0
Mideast/Africa			
Egypt	69.91		−35.0
Israel	109.52	+0.4	−10.0
Jordan	226.07	+0.1	+7.5
Morocco	184.79	+0.6	+41.0
S Africa	109.29	+0.1	−39.2
Zimbabwe	111.24		−55.8
Regions			
Composite	158.66	+0.8	−36.3
Latin America	374.90	+2.9	−44.7
Asia	75.41	−1.5	−30.0
EMEA	101.54	+0.7	−31.2
Europe	126.18	+1.3	−33.1
Eastn Europe	44.60	−2.8	−68.2
ME & Africa	50.65	+0.2	−20.3

Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 5 1993; (8)Sep 28 1990; (9)Mar 1 1991; (10)Dec 31 1993; (11)Dec 31 1993; (12)Dec 31 1992; (13)Dec 31 1992; (14)Dec 31 1993; (15)Aug 2 1993; (16) July 2 1993. Latest indices were unavailable for this edition.

4 pm close September 21

NEW YORK STOCK EXCHANGE PRICES

1998 High	Low	Stock	Div	Yld. %	P/E	Vol 100s	High	Low	Close Quote	Ch'ge Prev. Close
- A -										
[illegible]										
- B -										
[illegible]										
- C -										
[illegible]										
- D -										
[illegible]										
- E -										
[illegible]										
- F -										
[illegible]										
- G -										
[illegible]										
- H -										
[illegible]										
- I -										
[illegible]										
- J -										
[illegible]										
- K -										
[illegible]										
- L -										
[illegible]										
- M -										
[illegible]										
- N -										
[illegible]										
- O -										
[illegible]										
- P - Q -										
[illegible]										
- R -										
[illegible]										
- S -										
[illegible]										
- T -										
[illegible]										
- U -										
[illegible]										
- V -										
[illegible]										
- W -										
[illegible]										
- X - Y - Z -										
[illegible]										

advertisement

EUROBENCH® "INSECTS®" INDICES

European Benchmarks nv-sa (EuroBench) is a self-regulated, independent index publisher based in Brussels and London. The INSECTS® are pan-European equity "INdices on SECtorS" based and weighted on the volatility and correlation of each of the index constituent stocks with the sector trend. The selection of INSECTS® constituents is from the TOP 500 European stocks by market capitalization. Values are continuously updated (every 5 seconds) on Bloomberg, Bridge, Reuters, Telerate, Telekurs and TES from 08.00 to 18.15 CET. Prices preceded by I = indicative value, SETT = settlement

Sector		SETT 21-09-1998	Close	Previous 18-09-1998	Change on day	% Change	1998 HIGH	1998 LOW
Financials	USD	1635.88	1631.48	1711.10	-79.61	-4.65	2451.60	1264.46
IN-FIN	DEM	1821.39	1913.61	2022.69	-109.28	-5.40	3002.15	1641.19
Non-durable goods	USD	1532.88	1532.85	1595.13	-62.28	-3.90	1768.72	1163.46
IN-GOODS	DEM	1800.17	1797.73	1885.60	-87.87	-4.66	2195.63	1339.43
Oils	USD	1217.87	1220.18	1232.81	-12.63	-1.02	1633.96	1132.98
IN-OIL	DEM	1409.41	1431.02	1457.30	-26.28	-1.80	2027.16	1390.72
Pharma-chemicals	USD	1328.11	1318.01	1376.56	-58.65	-4.25	1680.68	1227.09
IN-PHARMA	DEM	1558.88	1547.99	1629.60	-81.61	-5.00	2115.51	1475.94
Telecoms	USD	1803.24	1818.18	1943.22	-125.04	-6.43	2437.22	1399.22
IN-TELCO	DEM	2163.18	2132.91	2297.07	-164.72	-7.17	3072.26	1292.44

Further information about the INSECTS and constituents are available for download on our web-site HTTP://WWW.EURO-INSECTS.COM and further information about EuroBench is on HTTP://WWW.EUROBENCH.COM A free daily email service can also be subscribed to on the web. For hard copy information please call London (+ 44 171 336 7888) or Brussels (+32 2 509 94 80).

Price data supplied by Extel, part of FT Information.

Yearly highs and lows for NYSE reflect the period from Jan 1 1998. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Volume figures are unofficial.
d-new yearly low. P/E price-earnings ratio. vol- volume. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.
‡ Dealings suspended.

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GLOBAL EQUITY MARKETS

US INDICES

Dow Jones	Sep 21	Sep 18	Sep 17	1998 High	1998 Low	Since compilation High	Since compilation Low
Industrials	7895.66	7872.77	8089.78	9337.97 (17/7)	7539.07 (31/8)	9337.97 (17/7/98)	41.22 (8/7/32)
Home Bonds	106.05	105.71	105.71	106.05 (18/9)	104.42 (11/5)	106.05 (18/9/98)	54.99 (1/10/81)
Transport	2814.67	2813.99	2884.13	3686.02 (16/4)	2816.75 (4/9)	3686.02 (16/4/98)	13.23 (8/7/32)
Utilities	293.98	292.49	293.68	295.49 (8/7)	262.66 (9/1)	295.49 (8/7/98)	10.53 (8/7/32)

DJ Ind. Day's high n/a (8012.03) Low n/a (7739.97) (Theoretical)‡
Day's high 7945.35 (7938.67) Low 7711.65 (7827.84) (Actual)‡

Standard and Poors	Sep 21	Sep 18	Sep 17	1998 High	1998 Low	Since compilation High	Since compilation Low
Composite‡	1020.09	1018.87	1045.46	1186.75 (17/7)	927.69 (9/1)	1186.75 (17/7/98)	4.40 (1/6/32)
Industrials‡	1213.04	1208.22	1238.44	1380.48 (17/7)	1077.40 (9/1)	1380.48 (17/7/98)	3.52 (30/6/32)
Financial‡	110.76	111.76	115.72	147.69 (14/7)	102.28 (10/9)	147.69 (14/7/98)	7.13 (4/8/74)
Others							
NYSE Comp.	507.54	508.31	518.65	600.75 (17/7)	490.69 (31/8)	600.75 (17/7/98)	4.64 (25/4/42)
Amex Comp	627.16	621.25	620.13	753.67 (22/4)	585.07 (31/8)	753.67 (22/4/98)	324.20 (16/7/96)
NASDAQ Cmp	1663.77	1640.25	1668.01	2014.25 (20/7)	1469.22 (31/8)	2014.25 (20/7/98)	54.87 (3/10/74)
Russell 2000	363.26	355.29	359.85	491.41 (21/4)	337.95 (31/8)	491.41 (21/4/98)	122.36 (7/12/83)

RATIOS

	Sep 18	Sep 11	Sep 4	Year ago
Dow Jones Ind. Div. Yield	1.89	1.91	1.95	1.67
	Sep 16	Sep 9	Sep 2	Year ago
S & P Ind. Div. yield	1.40	1.43	1.47	1.50
S & P Ind. P/E ratio	30.41	29.54	28.84	25.37

US DATA

MARKET ACTIVITY

Volume (million)	Sep 18	Sep 17	Sep 16
NYSE	795.680	687.597	801.271
Amex	24.997	28.963	28.068
NASDAQ	658.783	695.567	728.729

NYSE	Sep 18	Sep 17	Sep 16
Issues Traded	3,495	3,516	3,522
Rises	1,068	811	1,844
Falls	1,116	2,347	1,284
Unchanged	471	458	474
New Highs	27	21	31
New Lows	157	284	151

NYSE TRADING ACTIVITY

Volume : 819,583,000

ACTIVE STOCKS

Friday	Stocks traded	Close price	Day's change
Bristol	10,700,400	125	+⅛
PhMorr	9,592,500	40¾	+1⅜
Gillie	9,184,800	38⅜	-⅞
Compaq	8,110,100	30¾	-¾
GenElec	8,797,800	78⅛	
Travlr	8,748,300	40⅞	-¾
LucentTch	6,245,200	72⅞	+⅞
BankAm	5,907,000	59⅝	-3⅝
Disney	5,903,900	25⅛	-⅞
NatsBk	5,692,300	50¾	-2¾

BIGGEST MOVERS

Friday	Close price	Day's change	Day's chge %
Ups			
MissnC	27⅞	+3⅞	+14.8
MikeB	38⅞	+4⅜	+12.8
Byrnes Grp	29	+3⅛	+11.8
Wolverine	12⅛	+1⅛	+9.8
Downs			
Cyrec	15⅝	-4⅞	-24.8
Overdm	20¾	-3⅞	-15.8
Tellbyn	22⅞	-4⅛	-15.8
TeleDn	48⅝	-4⅛	-8.0

NASDAQ TRADING ACTIVITY

Volume :658,823,000

ACTIVE STOCKS

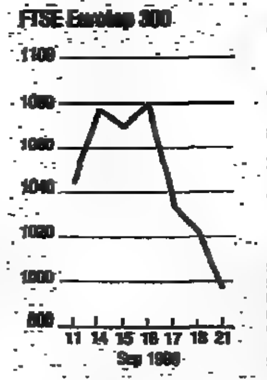
Friday	Stocks traded	Close price	Day's change
CiscoSys	18,383,000	61⅞	-⅞
DellCmp	15,180,000	57⅝	-¾
WrldCm	14,926,000	46¾	+¾
Intel	12,841,300	86	
Micsft	11,823,000	105¾	+⅞
XylanCp	10,286,600	19⅝	-2⅝
Oracle	7,779,000	27⅛	+⅝
3Com	7,432,900	30⅞	+⅝
VirnSw	7,303,000	23⅝	-⅞
Chase Cp	6,836,400	11⅞	-⅜

BIGGEST MOVERS

Friday	Close price	Day's change	Day's chge %
Ups			
SegRealt	23⅝	+5⅛	+28.4
NurAtmoCp	11⅞	+1⅞	+18.4
GBC Bancor	24⅛	+3⅞	+17.8
SmthLo	15⅝	+2⅛	+16.3
Downs			
XylanCp	19⅝	-2⅝	-18.1
EnergyCp	23⅝	-3⅝	-13.3
ElectrdB	25⅝	-3⅝	-10.9
Vasion	27⅛	-2⅝	-8.6

Dow Jones

FTSE Eurotop 300



JAPAN

	Sep 21	Sep 18	Sep 17	1998 High	1998 Low	Since compilation High	Since compilation Low
Nikkei 225	13597.30	13963.12	13858.14	17264.34	13858.14	38915.9	85.25

Day's high: 13975.77 Day's low: 13538.72

TOKYO TRADING ACTIVITY

Volume : 380,000,000

ACTIVE STOCKS

Monday	Stocks traded	Close price	Day's change
LgTmCr	24,128,000	21	+2
Ngtoi	17,009,000	188	-18
Saltoma	14,888,000	220	-21
BToMit	7,622,000	994	-81
Fujitk	6,852,000	357	-6
Tkhiko	6,408,000	475	-7
Nomura	6,016,000	1646	-64
AsahiBk	4,958,000	384	-18
Hitachi	4,605,000	558	
Nichoto	4,688,000	135	-18

BIGGEST MOVERS

Monday	Close price	Day's change	Day's chge %
Ups			
LgTmCr	21	+2	+10.5
Downs			
SekChm	480	-88	-18.4
Nishika	135	-16	-10.6
OkumCm	430	-45	-9.5
KokEle	663	-67	-9.2
Hasako	58	-5	-8.1
YasTrB	75	-7	-8.5
Daikuko	530	-49	-8.5

FRANCE

	Sep 21	Sep 18	Sep 17	1998 High	1998 Low	Since compilation High	Since compilation Low
CAC 40	3342.65	3465.22	3525.26	4388.48	2862.54	4388.48	984.61

Day's high: 3422.34 Day's low: 3254.41

PARIS TRADING ACTIVITY

Volume : 842,358,000

ACTIVE STOCKS

Monday	Stocks traded	Close price	Day's change
Alctel	4,285,737	510	-45
FrTele	2,104,554	402.5	-27.5
Rhodia	1,639,171	73	-5
EurDis	1,289,811	8.4	+0.8
RhonPA	1,156,402	221	-7
Usinor	1,126,843	56.6	-1.65
Alstom	1,083,821	112.1	-5.9
Axa	1,085,072	557	-29
STMicro	1,028,384	288	-27.6
Renault	1,000,103	224	-24.8

BIGGEST MOVERS

Monday	Close price	Day's change	Day's chge %
Ups			
EltAqu	705	+24	+3.5
FoncLy	859	+29	+3.5
Accor	1169	+39	+3.5
Colas	1040	+30	+3.0
Downs			
Bygues	901	-169	-15.8
Atos	979	-164	-14.4
SAT	2162	-275	-11.3
G'phys	311	-39	-11.1

GERMANY

	Sep 21	Sep 18	Sep 17	1998 High	1998 Low	Since compilation High	Since compilation Low
DAX	4433.87	4598.58	4669.51	6171.43	4087.28	6171.43	931.18

Day's high: 4596.78 Day's low: 4357.78

FRANKFURT TRADING ACTIVITY

Volume : 12,135,572

ACTIVE STOCKS

Monday	Stocks traded	Close price	Day's change
Dt Bk	1,949,472	94.3	-5.6
Siemens	821,849	98.7	-7.5
BASF	811,479	68.6	-1.9
Bayer	748,275	62.85	-2.4
Cmrzbk	740,077	48.7	-1.2
Daimlr	689,916	141.1	-4.9
Dt Tel	630,886	58.3	-2.1
Lufthn	589,199	33.25	-2.45
DrsdBk	444,588	68.8	-3.7
VW	432,845	109	-6

BIGGEST MOVERS

Monday	Close price	Day's change	Day's chge %
Ups			
Wrtz	79	+7	+9.7
Sim Hem	515	+25	+5.1
Holsten	440	+20	+4.6
GrahPf	485	+10.25	+2.3
Downs			
KDePr	33.5	-4.5	-11.8
BHBg	31.5	-3.5	-10
Porsche	2700	-250	-8.5
HeidZm	110	-10	-8.3

UK

	Sep 21	Sep 18	Sep 17	1998 High	1998 Low	Since compilation High	Since compilation Low
FTSE 100	4900.3	5055.6	5132.9	6179.00	5055.60	6179	986.9

Day's high: 5056.6 Day's low: 4880.6

LONDON TRADING ACTIVITY

Volume : 750,280,800

ACTIVE STOCKS

Monday	Stocks traded	Close price	Day's change
Shell T&T	30,700,440	338	+2
Emerald Engy	20,434,080	9	+¼
Aggregate Ind	16,771,790	60½	+¾
Tesco	13,076,510	161	-1
BTR	11,317,200	108½	-6
BAT	11,239,580	447½	+6½
Unilever	10,638,590	460	-4½
Vodafone	10,042,710	730	-30
BP	9,990,600	834½	+8
Telewest Com	9,278,082	155	-2

BIGGEST MOVERS

Monday	Close price	Day's change	Day's chge %
Ups			
TDS Circuit	18½	+8	+87.3
Drumond Gp	17	+5	+41.7
VCI	119½	+12	+11.2
Rentokil	310	+22	+7.6
Downs			
EMI	335	-61	-15.4
FI Gp	280	-45½	-14.0
CMG	1550	-177	-10.3
De La Rue	177	-19½	-9.9

INDEX FUTURES

S&P 500	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	1030.00	1030.50	-0.50	1037.50	999.00	86,829	375,443
Mar	1013.50	1040.00	-0.50	1047.00	1011.00	112	6,750

Nikkei 225	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	13600.0	13490.0	-460.0	13730.0	13460.0	25,219	167,202
Mar	13500.0	13450.0	-240.0	13500.0	13450.0	11	6,232

Open interest figures for previous day.

CAC-40 (200 x index)	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Sep	3440.0	3348.0	-127	3465.0	3280.5	102,580	198,547
Dec	3415.0	3375.0	-128	3420.0	3290.0	4,155	35,826

DAX	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Dec	4540.0	4471.0	-184.0	4608.5	4370.0	30,891	63,706
Mar	4570.0	4506.0	-141.0	4600.0	4445.0	32	999

OMX	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Sep	585.00	579.50	-	580.50	552.50	47,530	118,980
Oct	567.50	581.50	-	588.00	554.00	27,310	40,010

SOFFEX	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Sep	6210.0	6058.0	-252.0	6230.0	5940.0	37,869	119,913
Dec	6013.0	6088.0	-554.0	6025.0	6008.0	15	2,025

WORLD MARKETS AT A GLANCE

Country	Index	Sep 21	Sep 18	Sep 17	1998 High	1998 Low	Yield	P/E
Argentina	General	14453.84	14802.30	14587.09	23485.47 23/3	12303.14 10/9	4.2	12.6
Shares made a weak start, hit by a series of worries weighing on bourses throughout the region.								
Australia	All Ordinaries	2321.9	2539.9	2542.8	2881.40 16/4	2459.30 1/9	3.5	18.1
	All Mining	588.2	587.2	580.8	713.10 23/4	489.80 31/8		
Fall in thin volumes as weak Asian markets and nervousness ahead of the October 3 national election kept investors away.								
Austria	Credit Aktien	(u)	363.37	363.65	584.34 28/5	366.17 3/9	2	11.6
	ATX Index	1073.29	1105.83	1098.61	1628.59 28/5	1073.29 21/9		
Market lower in line with neighbours and on concerns for outlook on Wall Street.								
Belgium	BEL20	3009.35	3087.68	3133.69	3832.07 20/7	2867.39 10/1	1.8	-18.4
Indices closed lower having recouped some losses alongside the Dow in late trade.								
Brazil	Bovespa	6436.0	6710.0	6432.0	12288.00 15/4	4761.09 10/9	na	na
Shares extended losses as investors dumped shares following steep losses in European and Asian markets.								
Canada	TSE 100‡	349.45	353.83	350.40	475.83 25/5	338.52 31/8	1.9	19
	Metals Mnls‡	2817.94	2826.94	2818.98	4380.01 10/3	2500.10 31/8		
	Composite‡	5598.70	5771.40	5725.64	7832.30 22/4	5530.78 31/8		
	Portfolio‡	2931.34	2961.75†	2926.94	3895.81 25/5	2804.59 31/8		
Early losses attributed to worries that Japan was moving too slowly on financial reforms.								
Chile	IGPA Gen‡	3057.70	(c)	3058.82	4861.98 17/3	2980.96 14/9	4.3	9.7
China	Shanghai B	30.48	30.58	31.24	58.60 10/2	28.25 12/9	1.5	28.4
	Shenzhen B	62.84	63.06	65.31	98.97 10/2	48.85 13/8		
Hard-currency shares eased in sympathy with weak regional markets. Volumes were very thin.								
Colombia	IBB	786.94	786.94	786.40	1431.46 7/1	786.94 18/9	na	na
Czech Republic	PX 50	367.8	369.7	369.1	517.30 29/3	367.69 21/9	na	na
Late demand for SPT Telecom helped market to close above its lowest levels of day.								
Denmark	CopenhagenSE	576.48	605.43	616.39	778.84 7/4	576.46 21/9	1.7	18.1
Problems exacerbated by continued weakness of domestic crown currency which sparked sharp falls in bonds.								
Egypt	Cairo SE Gen	383.7	(c)	394.38	393.19 21/4	348.40 3/2	na	na
Drop in price of blue chip Commercial International Bank pushed broad market lower.								
Finland	HEX General	3970.51	4090.68	4137.86	6593.43 21/7	3930.43 12/1	2.5	13.1
Market underperformed neighbours as illiquid market extended week long slide.								
France	SBF 250	2135.97	2217.88	2257.23	2790.73 17/7	1873.10 12/1	2.7	18.4
	CAC 40	3342.65	3465.22	3525.26	4388.48 17/7	2882.54 12/1		
Alcatel stayed out of favour in spite of upgrade from JP Morgan and confirmation that the group planned share buyback.								
Germany	FAZ Aktien	1418.98	1498.02	1498.21	1949.80 20/7	1334.15 12/1	1.6	19.8
	Commerzbank	4188.40	4357.90	4463.20	5712.60 20/7	3928.20 12/1		
	DAX‡	4433.87	4598.58	4669.51	6171.43 20/7	4087.28 12/1		
Motor and engineering stocks fall under influence of weak dollar.								
Greece	Athens SE	2081.98	2173.58	2184.46	2828.82 21/7	1360.13 29/1	2	17
	FTSE/ASE 20	1258.20	1311.32	1324.87	1727.13 21/7	755.18 29/1		
Shares unable to decouple from losses in neighbouring markets.								
Hong Kong	Hang Seng	7170.23	7445.98	7576.57	11810.63 25/3	6660.42 13/8	5.7	8.7
	HSCC Red Chip	718.94	758.97	764.49	1776.09 27/2	576.87 1/8		
Slid in thin volumes in sympathy with weak Tokyo stocks and worries over US White House sex and perjury scandal.								
Hungary	Bux	3775.82	4182.66	4224.57	8868.36 23/4	3775.82 21/9	na	na
Market tumbled as domestic investors became increasingly disheartened by almost continual slide in prices since August.								
India	BSE Sens.	3080.90	3090.72	3121.39	4280.96 21/4	2882.85 1/9		
	Crsil 500	812.14	812.81	816.06	916.82 21/4	773.62 18/8	na	na
Weaker world markets pulled shares off their best levels to close in negative territory.								
Indonesia	Jakarta Comp.	256.83	271.87	285.47	554.18 2/2	256.83 21/9	3.7	18.3
Cigarette firm Gudang Garam tumbled 28.5 per cent in wake of dismal Sampoerna's disappointing results last week.								
Ireland	ISEQ Overall	4681.55	4694.85	4077.50	5471.01 21/4	3824.39 7/8	2.3	15.6
Outlook for corporate earnings continued to weigh on sentiment.								
Israel	Tel Aviv 100	(c)	(c)	307.95	332.43 9/5	288.12 11/2	na	na
Italy	BCI Comit 30	268.68	284.96	285.50	389.69 20/7	254.94 2/1	2.1	21
	Banca Com Ital	1158.84	1199.57	1225.85	1684.36 7/4	1072.35 2/1		
	Mibtel General	18277.0	19192.0	19229.0	26277.00 6/4	17286.00 2/1		
New constituents to MIB30 blue chip index sharply lower in line with broader market.								
Japan	Nikkei 225	13597.30	13963.12	13858.14	17264.34 3/3	13597.30 21/9	1	38.8
	Nikkei 300	204.12	208.30	208.97	257.42 18/2	204.12 21/9		
	Topix	1047.79	1073.22	1069.06	1300.30 18/2	1047.79 21/9		
	2nd Section	1159.18	1164.31	1161.11	1401.27 12/2	1159.18 21/9		
Nikkei sank to lowest since February 1986 amid fears political compromise over banking sector bills would fall apart.								
Jordan	Amman SE	173.65	(c)	(c)	194.82 17/6	164.64 30/1	na	na
Bourse said to be subdued in lacklustre activity.								
Malaysia	KLSE Comp.	378.223	388.30	398.95	745.38 27/2	262.70 1/9	4	18.5
Mood soured by clashes between police and anti-government demonstrators after the arrest of former deputy prime minister.								
Mexico	IPC	3382.69	3475.98	3305.46	5084.09 2/1	2865.16 10/9	1.8	8.9
Sharp losses seen early in day in line with Wall Street and neighbouring markets.								
Morocco	CASA	873.03	(c)	888.01	888.98 1/9	666.07 21/1	na	na
Netherlands	CBS TtlRtnGen	1058.1	1121.0	1157.9	1498.00 20/7	1045.30 12/1	2.5	16.9
	CBS All Shr	594.9	630.3	651.0	845.10 20/7	594.90 21/9		
Profits warning from Philips sent market down to lowest level this year.								
New Zealand	Cap. 40	1719.19	1734.87	1762.36	2059.82 20/3	1719.19 21/9	5.6	16.3
Markets nervous ahead of current account and GDP data later in week and local dollar dipped back below US$0.50.								
Nigeria	SE All-Share	(u)	5703.49	5767.75	6604.87 11/2	2395.49 12/1	na	na
Norway	Oslo SE Ind	1469.76	1547.32	1566.33	2378.09 4/5	1469.76 21/9	2.4	11.3
Shares at 23 month low, in spite of firmer oil prices.								
Pakistan	Karachi SE	1064.61	1058.73	1070.09	1746.31 2/1	769.73 14/7	na	na
Shares firmed ahead of meeting between prime minister and US President Bill Clinton.								
Peru	Lima Gen	1185.46	1198.38	1208.95	1968.61 4/5	1185.39 18/9	na	na
Philippines	Manila Comp	1184.26	1174.61	1258.34	2311.42 25/3	1082.18 11/9	2.2	8.8
Fell with weak peso with sentiment hurt by the impending closure of Philippine Airlines.								
Poland	WIG	11747.9	11928.8†	12211.0	18092.70 11/3	10990.70 1/9	3.8	3.8
Shares extended falls of previous session and little respite seen.								
Portugal	BVL 30	4317.08	4599.43	4519.14	6176.68 22/4	3879.27 2/1	2.1	24.9
	PSI 20	9804.00	10463.72	10504.80	14292.99 22/4	9631.84 2/1		
Portugal Telecom's chairman said markets were punishing company's stock excessively over investments in Brazil.								
Russia	RTS	47.81	50.12	51.70	411.81 5/1	47.81 21/9	na	na
Market paralysed with investors spooked over suspension of stable-dollar trade.								
Singapore	SES All-S'pore	272.56	281.12	290.05	487.80 19/3	253.20 4/9	3.1	13.4
	Straits Times	882.59	912.74	941.42	1698.75 19/3	805.04 4/9		
Property and banks stocks hurt by fears of a cut in employer contributions to pension fund, [illegible] losses.								
Slovakia	SAX	109.66	109.58	108.58	182.49 5/1	107.08 1/7	na	na
Shares edged up as country entered final week before general elections.								
South Africa	JSE All Share	4751.6‡	4844.4	4869.0	8358.70 20/4	4684.40 11/9		
	JSE Gold	1015.9‡	991.3	1024.0	1152.70 6/7	672.80 18/3		
	JSE Ind.	5275.6‡	5415.1	5465.0	8842.70 20/4	5349.80 11/9	5.4	7.8
Shares weak as lethargic trade sent turnover down to lowest levels of year.								
South Korea	KoreaCmpEx**	297.45	302.21	310.86	574.35 2/3	280.00 16/6	1.7	13.9
Foreign buying of Kepco restricted indexes losses while in broader market falls beat rises by 8 to 3.								
Spain	Madrid SE	651.57	687.81	669.73	947.82 17/7	646.14 12/1	2.3	19.3
Market again underperformed neighbours on worries over companies' exposure to Latin America.								
Sri Lanka	CSE All Share	493.40	490.51†	493.38	788.70 4/5	481.00 3/9	na	na
Retail buying pushed shares higher on very thin volumes.								
Sweden	AffarsvarldsGen	2803.6	2863.6	2932.5	3888.00 20/7	2803.60 21/9	2.6	17.2
Election result and concerns over foreign markets weighed heavily on bourse.								
Switzerland	SMI Index	6021.5	6342.7	6405.2	8412.00 21/7	6021.50 21/9	1.4	20.6
	SPI General	3832.49	4020.04	4062.05	5237.30 20/7	3781.36 12/1	na	na
Fears of further losses sparked selling mainly by foreign investors.								
Taiwan	Weighted Pr.**	7028.40	6981.76	7000.52	9277.09 2/3	6251.38 3/9	1.6	18.9
Late selling knocked shares down from early gains as volumes increased to T$76bn.								
Thailand	Bangkok SET	221.86	221.85	220.05	558.92 3/2	207.31 4/9	5.1	34.9
Afternoon selling clipped back early gains of nearly 2.5 per cent.								
Turkey	IMKB Nat. 100	2141.55	2278.33	1948.42	4830.64 18/7	1948.42 17/9	4.9	8.3
Falls in neighbouring bourses knocked market awaiting tax easing measures from government.								
Venezuela	IBC	(u)	3007.80	2921.51	7858.82 23/3	2894.70 10/9	na	na
Zimbabwe	ZSE Industrial	(c)	(c)	(c)	9760.71 31/3	5441.85 1/9	na	na
Week market undermined by unstable local dollar.								
WORLD	FT/S&P Wrld(§)	(u)	258.53	257.80	305.82 17/7	243.88 8/1	na	na
	MS Capital Intl$	944.9*	964.3	970.7	1143.80 20/7	899.50 12/1	na	na
CROSS-BORDER	DJ Stoxx 50	2708.98	2821.30	2864.21	3670.82 20/7	2574.51 12/1		
	DJ Euro Stx 50	2858.27	2781.60	2828.22	3658.49 17/7	2466.81 12/1		
	FTSE E300	986.66	1021.37	1035.10	1327.69 20/7	971.83 12/1		
	FTSE E100	2271.06	2344.37	2376.48	3098.91 20/7	2226.40 12/1	na	na
	MSBC Drgn	(u)	161.65	165.07	273.91 26/3	162.78 7/8	na	na
	MS Emrgs Emrg	(u)	92.66	94.33	180.08 22/4	88.84 11/9	na	na

** Sat Sep 19: Taiwan Weighted Price 7149.38; Korea Comp Ex 301.23. Base values of all indices are 100 except [illegible] ‡ Toronto. (c) Closed. (u) Unavailable. [illegible] ‡ Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ‡ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ‡ Subject to official recalculation. § Yields and P/E ratios are based on Datastream Total Market Indices. ‡ Milestone.

THE NASDAQ STOCK MARKET

4 pm close September 21

Stock	Div.	P/E	Vol 100s	High	Low	Last	Chng
[illegible]							

AMEX PRICES

4 pm close September 21

Stock	Div.	P/E	Vol 100s	High	Low	Close	Chng
[illegible]							

EASDAQ

The EASDAQ All Share Index (EASI) for 21st September: 724 down 4.1% Day's high: 733.1 Day's low: 694.34
EASDAQ is a fully regulated independent pan European Stock Market focused on high growth companies with international aspirations. The shares of companies on the EASDAQ Stock Market can be bought and sold through EASDAQ Members.

Company	Mid price	Change on day	Volume	High	Low
4Front Technologies	US$7		0	11.5	5.25
ActivCard	US$3.5		32000	6.375	2.25
Algol+	ITL25000	-1000	0	44250	13250
Artwork Systems	US$14.25	-0.25	7135	21.125	5.875
Autonomy Corp.	US$3.1875		0	4.1875	3.1875
Chemunex+	FFr10.5		50000	22.5	9.5
City Bird Holding	US$2		3000	10.3125	6.1875
Debonair Holdings	GBP0.91	-0.07	14804	7.1	0.6
EDAP TMS	US$2.25	-0.375	0	9.125	2.25
EPIQ	DEM5.25	-0.875	72600	10.375	5.25
ESAT Telecom	US$10.25	-1.25	4400	43.75	13.5
Esprece Prod. Int.	FFr110.45	-0.33	4500	121.25	89.3
Esbri Telecom	US$21.625	+0.375	0	46.625	4.875
Gybi International	Sch373	-12	2300	680	373
F.L.V. Fund	US$14.625	-0.25	18268	22.25	14.5
Global Graphics	FFr193.5	-5	11618	238.5	190
Global TeleSystems	US$20	-0.5	4150	62.375	25.5
Granger Telecom	US$14.5	-0.625	21805	27.25	10.25
Gruppo Formula	ITL19000	-3250	22650	66500	14250

Company	Mid price	Change on day	Volume	High	Low
ICOS Vision Syst	US$13.75	-0.75	4940	20.875	12.125
Innogenetics	US$41.75	-3.5	100037	74	9.875
Integr. Surg. Syst.	DEM5.6	-0.1	0	12.2	5.8
Lernout & Hauspie	US$33.125	-2.375	93568	65.25	13.125
Melexis	US$12.375	-0.875	85075	20.0625	7.375
Memor Int'l+	US$6.375		0	12.875	6
NTL	US$42.5		0	63.75	20.5
Optios Int'l	US$38.625	-1.25	12128	67.63	10.88
Orthovita, Inc.	US$10.125	-0.25	9126	11.625	10.125
Pankl Racing Syst.	Sch3350	-515	1547	5150	3320
Pharming	NLG24		10860	30.5	23.5
Pixtech+	US$4.25		6195	7.625	2.125
Royal Olympic	US$6.625	-0.125	0	18.5	5.625
S&T Syst Integrat.	Sch2020	-25	1216	4155	1930
Schoeller-Bleckmann+	Sch955	-85	200	1795	954
TelDaFax	DEM64.5	-4.75	15650	88.25	61
Topcall Int'l+	Sch2555	-700	7193	5038	522
Turbodyne Technol.+	US$5.3	-0.3	14180	16.83	2.1

Prices for 21/9/98. Please note that mid prices are now used to calculate highs and lows. Information about EASDAQ can be found on the Web site at: [illegible]. EASDAQ offices are located in Brussels (Tel. 32-2/227 65 20) and in London (Tel. 44-171 / 489 9980). Annual/interim reports can be obtained for companies with a + symbol in this issue. Annual Reports Club telephone +44 181 770 0770. For further details please see Share Price page.

STOCK MARKETS

Bourses swept lower as investors take flight

WORLD OVERVIEW

Investors ran for cover as a wave of negative news hit nervous equity markets, *writes Emiko Terazono.*

Asia was shaken by a downgrade in Japan's foreign debt and doubts over a settlement of its troubled banking system, with Tokyo down 2.8 per cent and Hong Kong 3.7 per cent.

Political and social unrest in Jakarta and Kuala Lumpur also triggered selling.

Analysts said the persistent flow of bad news and the longer-than-expected turmoil in emerging markets were affecting investor confidence around the globe. "The feeling is very different from 1987 when market downturns were followed by big rebounds," said Gary Dugan, European strategist at J.P. Morgan.

Europe tumbled on profit worries as Philips cut its 1998 forecast, while the release of President Bill Clinton's videotaped testimony also weighed on sentiment.

Yesterday's announcement by Philips, which said net profits for the current year would be flat, shook investors already unnerved by last week's profit warnings by Alcatel and Shell.

Philips slipped more than 17 per cent, while Alcatel of France, the darling of European stock markets until last week, dropped a further 8 per cent. Renault, also weakened by the Alcatel contagion, retreated 9 per cent.

"Investors are realising the scale of the downturn. A lot of European companies were stuck on growth stock valuations and there has been a rollover of optimism for most markets," said Philip Isherwood, European strategist at Dresdner Kleinwort Benson.

The political situation notwithstanding, sentiment surrounding US equities was also bearish. An increasing number of economists have started to sound warning bells over a pronounced US economic slowdown.

"The deterioration in market expectations has been rapid and furious, pushing the recession probability to its highest levels in many years," says Goldman Sachs in a recent report on the US economy.

It points out that the probability of a recession has shot up from 14 per cent in June to 40 per cent now - the highest level since the end of the previous recession in the early 1990s.

Latin America's weakness will also have severe international implications, predicts Salomon Smith Barney. Although its economic crisis has been brought on by the emerging market contagion effects, the fact that the region is an important trading partner for the US, being the destination for almost 20 per cent of its exports, will affect US corporations.

Dow slips as bond yields approach 5%

AMERICAS

US shares fell steeply in early trading amid further turmoil in European markets and following the public broadcast of President Clinton's taped grand jury testimony, *writes John Labate in New York.*

The President's testimony, running for more than four hours, continued to air into the early afternoon. But it was far from the only issue on the mind of the market, as investors sifted through the latest profits warnings and earnings adjustments.

By early afternoon the Dow was off its lows, down 93.98 or 1.2 per cent to 7,801.68. The Standard & Poor's 500 index was down 12.25 to 1,007.84.

While stocks fell back US Treasury prices soared on a fresh round of flight-to-safety buying, with the yield edging ever closer to the 5 per cent level. The long bond price rose 1 to 108⅝, sending the yield down to 5.068 per cent.

Financial shares tumbled on new fears of instability. The Philadelphia Stock Exchange's banking index fell more than 3 per cent to 653.53, with Chase Manhattan down $2⅝ to $45⅛. Among brokerage shares, Merrill Lynch gave up nearly 8 per cent to $52⅝.

Philips became the latest European blue chip company to issue a profits warning and it reverberated through the US market.

Philips' ADR shares plunged more than 10 per cent to $45⅝. ADR shares of Alcatel, the French telecoms company that issued its own warning last week, fell another 4 per cent to $18⅛.

Shares of Comsat rose $1⅛ to $35¼ on news that it was being acquired by Lockheed Martin in a $2.7bn deal. Lockheed's shares were down more than 5 per cent to $94⅛.

Among Dow-component shares, Travelers lost 5 per cent to $38¼. United Technologies also fell more than 5 per cent to $75⅛ after Morgan Stanley Dean Witter lowered the company's 1999 earnings.

American Standard dropped more than 26 per cent or $9⅞ to $25⅛ after Morgan Stanley lowered the company's rating to "neutral".

The Nasdaq composite fell 19.50 or 1.2 per cent to 1,644.27. Small cap shares also fell back, sending the Russell 2,000 index off 4.44 to 358.82.

TORONTO tracked Wall Street from the opening bell, swinging lower to notch up losses on the 300 composite index of 98.10 at 5,673.30 at the noon count.

Golds pushed higher in line with the latest upturn for the bullion price, but the broad market moved determinedly in the opposite direction. Both financials and industrials were noticeably weak.

Among banks, Toronto-Dominion gave up C$1.15 at C$41.10 and Royal Bank of Canada shed 75 cents to C$61.75. Telecoms too were out of favour. Northern Telecom lost C$1.70 at C$60.25 in good volumes.

Industrials were equally dull with Seagram slipping 70 cents to C$47.50 and Alcan Aluminium off 10 cents at C$33.80. Top conglomerate Canadian Pacific shed 65 cents at C$33.05.

Golds bucked the downtrend. Barrick improved 5 cents to C$28.15 and Placer Dome 25 cents at C$19.25.

Profit warning hits Amsterdam

EUROPE

Dutch shares continued to lead the way down in Europe with AMSTERDAM badly rattled by its second heavyweight profits warning in as many trading days. The AEX index ended off 56.95 at 902.62 for a two-day decline of 8.7 per cent.

Philips crumpled on the news that second-half earnings would come in short of group forecasts. The shares fell Fl 17 or 17.8 per cent at Fl 82 after a low for the session of Fl 79.60, although turnover was far from heavy at 6.1m shares traded.

Coupled with an 11.3 per cent slide at DSM, it sent investor sentiment in the Netherlands virtually through the floor. DSM, hit by a severe downgrade for the chemicals sector by Goldman Sachs, came off Fl 17.70 at Fl 139.40 and Akzo Nobel lost Fl 6.50 or 9.1 per cent to Fl 65.00.

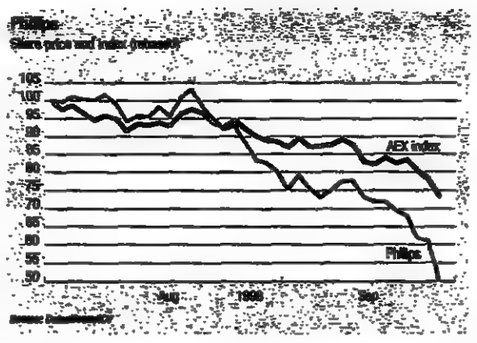
There were no safe plays among leaders with 40 per cent of the shares within the benchmark sliding by more than 6 per cent. Among financials, ING fell Fl 8.90 or 8.8 per cent to Fl 92.10 and Aegon shed Fl 10.70 or 7.5 per cent to Fl 133.

FRANKFURT closed sharply lower in volatile late Xetra trade, but the Xetra Dax index recovered from a low of 4,347.65 – down almost 6 per cent – to close 184.24 lower at 4,439.13.

Siemens recovered slightly from big losses in afternoon trade to close DM9.75 down at DM86.90 having been hit by worries across three of its sectors. Analysts said Siemens suffered from the profit warnings from Alcatel and Philips, and strong falls on the Paris exchange from ST Microelectronics. Siemens denied shortly before the close that its structure was similar to that of Alcatel and helped the shares stage a late rally.

Deutsche Telekom and Mannesmann were both hit by the profit warning from Alcatel on Thursday and added to those falls today.

Mannesmann lost DM7.20 to DM187.80 while Telekom closed down DM1.51 at DM50.50. Adidas was another big loser, down DM12.40 at DM156.60.



Auto stocks were hard hit on currency considerations. BMW tumbled DM98 to DM990 and VW fell DM9.55 to DM107.45.

PARIS bounced off the bottom in the closing stages of the session to end with a decline on the CAC 40 index of 122.5 to 3,342.65. Turnover was again heavy at FFr16.3bn with the market hitting a low for the day of 3,254.41.

Alcatel stayed out of favour in spite of an upgrade to "buy" by J.P. Morgan and confirmation that the group planned a share buyback. The stock came off FFr45 at FFr510 for a staggering decline of 49 per cent in just three days trading.

Among heavyweights, Renault lost FFr24.80 or 9.6 per cent to FFr234 and France Telecom FFr27.50 or 6.4 per cent to FFr402.5. Lesser caps saw Bouygues slide FFr169 or 15.8 per cent at FFr901, ahead of today's first results statement.

Oils were a rare firm sector as international oil prices climbed above $14 a barrel. Total added FFr16 at FFr690 and Elf Aquitaine FFr24 at FFr705.

ZURICH tumbled as much as 6.5 per cent at one stage, sending the SMI index below the psychologically important 6,000 level to the year's low of 5,927.8. By the close, the market had bounced back but the blue-chip index was still 321.2 lower on the day at 6,021.5

Financials were under heavy pressure with CS Group losing SFr17.20 to SFr175.75 and UBS marked down SFr26.50 to SFr385.

Even the recently resilient Novartis dropped SFr117 to SFr2,160 while Nestlé was SFr68 down at SFr2,592.

ABB bearers were among the biggest losers giving up SFr120 to SFr1,330 while SAir Group lost SFr31.50 to SFr318.50 as a new global airline alliance was announced linking Cathay Pacific with British Airways and American Airlines.

THE DAY'S CHANGES

	% Change
Copenhagen	-6.1
Amsterdam	-5.9
Helsinki	-5.2
Zurich	-5.1
Madrid	-5.1
Milan	-4.8
Frankfurt	-4.0
Paris	-3.6
Stockholm	-2.0

MILAN was sharply lower but above its worst for the day, with the real-time Mibtel index 915 lower at 18,276.

Telecom Italia lost L659 to L11,373 with investors said to be dumping one of the most liquid stocks amid the general sell-off.

Among shares added to the Mib 30 blue-chip index, Alitalia lost L366 to L5,391, engineering group Finmeccanica gave up L60 to L1,542, and mutual and life insurance group Mediolanum dropped L3,747 to L37,007.

COPENHAGEN closed just over 6 per cent lower on negative international trends and fears of another domestic rate rise after last Friday's move by the central bank. The KFX index fell 11.87 to 183.79.

Tele Danmark fell DKr43 to DKr572, hit by further turmoil in the high-tech sector following a profit warning from Philips in Holland.

The banking sector was also depressed with Den Danske Bank down DKr70 at DKr690, Unidanmark A DKr30 lower at DKr435, BG Bank off DKr23 at DKr317 and JyskeBank down DKr25 at DKr515.

Novo Nordisk B fell DKr65 to DKr650 on the back of a weaker dollar and reports of a bearish study from Deutsche Bank.

Written and edited by Michael Morgan, Jeffrey Brown, Emiko Terazono and Peter Hall

São Paulo drops back

SAO PAULO fell steeply in early trading, unsettled by the downturn on Wall Street and across Europe plus continued downside pressure from the currency markets.

In thin volumes, the benchmark Bovespa index was off 238 or 3.5 per cent at 6,472 at midsession after rising more than 4 per cent on Friday. "It's been nothing but sell, sell, sell all morning," said one trader.

MEXICO CITY also moved lower with the IPC index off 101.86 or 2.9 per cent at 3,374.02 at midsession. Declining stocks outpaced risers 17 to 1 although volumes were minimal.

Market heavyweight Telmex came off 90 centavos at 21.30 pesos after touching a low of 20.60 pesos.

BUENOS AIRES edged lower in early trade with the Merval index down 8.41 or 2.34 per cent at 350.88. Banks, steel and telecoms companies posted the largest declines.

Johannesburg stays weak

SOUTH AFRICA

Shares in Johannesburg stayed weak in dull turnover. The all share index closed off 92.8 at 4,751.6.

Industrials came off 2.6 per cent at 5,275.6 and financials gave up 1.4 per cent at 6,881.2. Northern Platinum tumbled 31.1 per cent to R2.41 as takeover hopes faded.

Golds managed to move higher with the sector index adding 2.5 per cent at 1,015.9, partly on a better day for the bullion price.

Split over loan plan dents Tokyo

ASIA PACIFIC

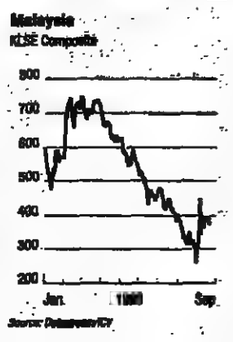
Shares in TOKYO plunged to new lows as fissures between the ruling Liberal Democratic party and opposition parties emerged over a plan to tackle the financial sector's bad loan problem, *writes Alexandra Harney in Tokyo.*

The Nikkei 225 Average fell 2.8 per cent or 385.82 to 13,597.30 in moderate trading, its lowest close since February 1986. The index moved between 13,580.72 and 13,875.77 during the day.

The Topix index of all first-section issues slid 2.4 per cent or 25.43 to 1,047.79. Volume was thin at 389m shares traded. Declining shares beat risers 956 to 217.

Banking and securities shares were among the hardest hit. Banking stocks slid 3.4 per cent overall. Securities shares tumbled 5 per cent, and the iron and steel sector was down 5.4 per cent amid concerns about weak demand and instability in the financial system.

The Long Term Credit Bank of Japan, the troubled bank at the centre of political debate about using public funds to inject liquidity into the financial system, gained Y2 to Y21 as the day's most heavily traded share.



Sakura Bank lost Y21 to Y229, and the Bank of Tokyo-Mitsubishi plunged Y61 to Y984. Sumitomo Bank lost Y49 to Y1,051.

Nissho Iwai, the trading company, lost over 10 per cent or Y16 to close at Y135. Analysts said the market is concerned about possible losses from securities holdings.

Blue-chip electronics and car companies fared poorly. Matsushita Electric Industries, which markets the Panasonic brand, plunged Y68 to Y1,852. Honda Motor was down Y300 to Y4,000. Fujitsu, the electronics company, fell Y22 to Y1,183.

Yahagi, the software and pig iron group that filed for bankruptcy last week, plunged Y28 to Y1. The shares are to be delisted in October.

JAKARTA tumbled amid continuing protests and riots and high interest rates, and the composite index fell 14.84 or 5.5 per cent at 256.83.

A sharp fall in blue-chip tobacco stock Gudang Garam highlighted market weakness. The stock lost Rp1,050 or over 20 per cent to Rp4,075. Its rival Sampoerna, which reported heavy first-half losses last week, declined Rp175 or 8 per cent to Rp1,950.

Semen Gresik, the cement group, fell Rp400 to Rp7,025 and Telkom Indonesia lost Rp25 to Rp1,525.

HONG KONG was unnerved by Tokyo's latest tumble and the escalating White House sex and perjury scandal. The Hang Seng Index lost 275.73 or 3.7 per cent to 7,170.23. Turnover was a thin HK$3.2bn.

The dispute between Hong Kong Telecommunications and its staff over the company's plan to cut the salaries of all its staff by 10 per cent from November also hit sentiment and the shares fell 45 cents to HK$14.30.

HSBC Holdings lost HK$5 to HK$132 on concerns about a slowing global economic environment and the bad debt situation in southeast Asia.

KUALA LUMPUR fell steeply against a background of increasingly violent political unrest. The composite index ended 14.98 or 3.8 per cent lower at 378.32 after a session of relatively high volumes. Shares traded totalled 175.6m, up from 158m on Friday. Among leading stocks, Telekom fell 25 cents to M$6.00 and Tenaga 18 cents to M$3.62.

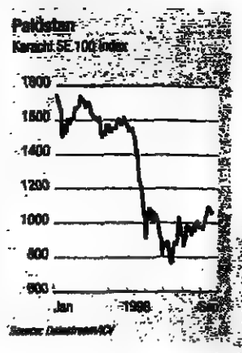
SINGAPORE lost 30.15 or 3.3 per cent to 882.59 on the Straits Times index following heavy selling of property shares. The sector gave up 4.8 per cent on worries that employers were planning to cut their contributions to the Singapore Pension Fund. Overseas Union Bank was the most active stock, trading 7.1m shares and slipping 27 cents at S$2.32.

EMERGING MARKET FOCUS

Power deal may boost Karachi

This week's planned meeting between Nawaz Sharif, Pakistan's prime minister, and President Bill Clinton at the UN general assembly in New York is likely to be watched with unusual interest by equity investors with an interest in Karachi.

For Pakistan's battered economy, faced with an impending default on its foreign debt, any thaw in relations with the US could prove to be the most important event since India's nuclear tests on May 11 which prompted Pakistan to conduct its own tests.



Western economic sanctions led by the US have undermined Pakistan's investment outlook. Liquid official foreign exchange reserves have plummeted to barely three weeks worth of imports. Since the Indian tests, the KSE-100 index has fallen more than 40 per cent.

But in the past two weeks, the market has clawed back 9.5 per cent on expectations that Pakistan is about to sign the Comprehensive Test Ban Treaty to end its nuclear row with the west.

Reports that the Jeddah-based Islamic Development Bank has extended a $200m loan to co-finance a $1.5bn Islamic loan fund for Pakistan also helped sentiment.

Yasin Lakhani, KSE chairman, said: "There are indications the test ban treaty would be linked to withdrawal of sanctions, and that's good news for the market".

He predicts Karachi's benchmark index could rise up to 25 per cent in the next four weeks "if everything on the economic front falls into place". That includes a successful conclusion to discussions with the IMF to extend a fresh loan to Pakistan and a possible restructuring of Pakistan's foreign debt through the Paris and London clubs.

However, others warn that in spite of the emerging upbeat sentiment, the long-term outlook depends mainly on Pakistan's ability to reform its economy and end its row with the private producers of electricity.

Nasir Bukhari, chief executive of Karachi's Khadim Ali Shah Bukhari brokerage, said: "The long-term outlook depends on the power sector, especially the future of the Hub power company (Hubco)."

The government has launched investigations into the financial affairs of the 19 private power companies. The contracts for those companies were signed under the government of Benazir Bhutto, who was sacked as prime minister almost two years ago after allegations of corruption.

The government says the tariffs permitted by the companies were excessive. The row between the government and Karachi-based Hubco has hit equity sentiment hard. Hubco is the second largest company on the Karachi exchange in terms of market capitalisation.

Some analysts warn the outlook could still be hit by concerns over Mr Sharif's political future. Last week, he suffered a blow when a group of MPs from his own ruling Pakistan Moslem League protested at plans to introduce Islamic shariah laws in the country.

Farhan Bokhari

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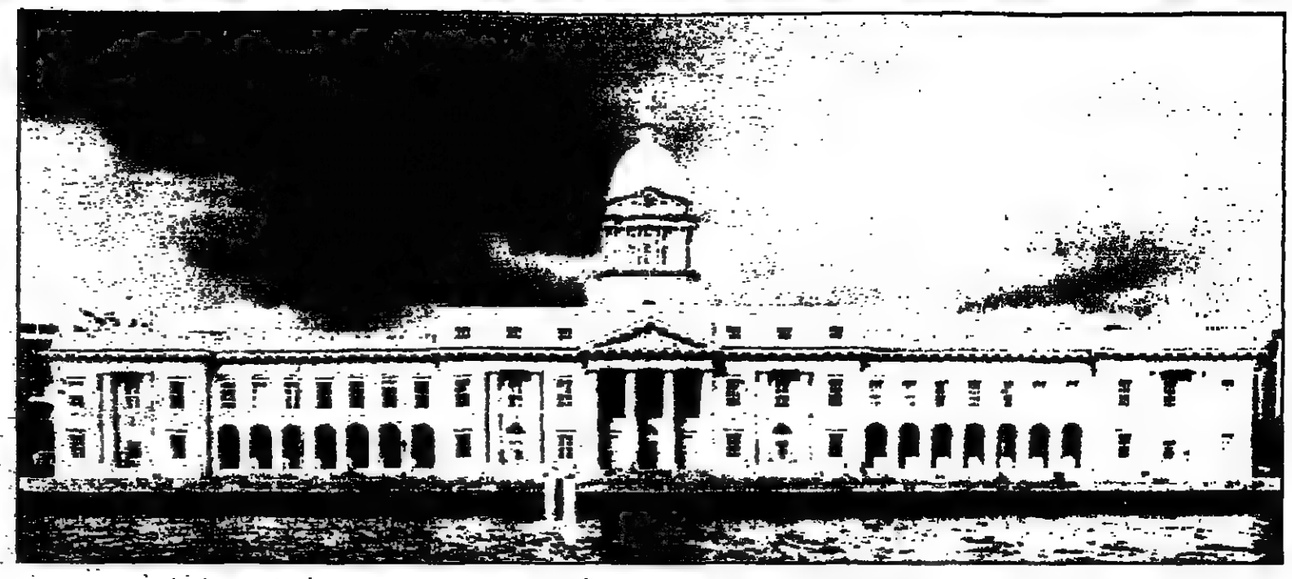
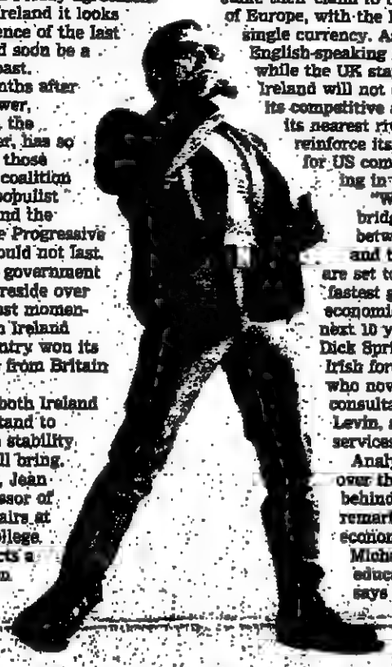
هكذا من الاصل

Ireland

The exhausting peace process in Ulster is being viewed with optimism, and the successes of an evolving economy are creating a welcome atmosphere of cheer, says **John Murray Brown**

Eve of an emerald era





These are great times to be Irish. The country enjoys unheard-of prosperity. The economy outpaces its European partners. And now with the Good Friday agreement in Northern Ireland it looks as if the violence of the last 26 years could soon be a thing of the past.

Fifteen months after coming to power, Bertie Ahern, the prime minister, has so far disproved those who said the coalition between his populist Fianna Fail and the right-of-centre Progressive Democrats would not last.

Instead his government looks set to preside over two of the most momentous events in Ireland since the country won its independence from Britain in 1921.

On Ulster, both Ireland and the UK stand to gain from the stability that peace will bring. Brigid Laffan, Jean Monnet professor of European Affairs at University College Dublin, predicts a transformation of political relations with the two islands becoming a unit within the European Union much like the Benelux countries.

In January, the Irish will further stake their claim to be at the heart of Europe, with the launch of the single currency. As the only English-speaking member – while the UK stays outside – Ireland will not only increase its competitive advantage over its nearest rival. It will also reinforce its attractions for US companies investing in Europe.

"We're at the bridgehead between Europe and the US, which are set to be the two fastest growing economic areas for the next 10 years," says Dick Spring, the former Irish foreign minister who now works as consultant to Mintz Levin, a US financial services company.

Analysts differ over the reasons behind Ireland's remarkable economic recovery. Michael Martin, education minister, says it is necessary to look back to the introduction of free secondary education in the late 1960s, the benefits of which the economy is now reaping with the record inflows of foreign investment.

The budget reforms of Ray McSharry two decades later were also vital in laying the groundwork for the current fiscal stability. Even before European leaders established the rules for membership of monetary union at Maastricht, Ireland had cut its budget deficit, and was fast reducing its debt.

But more than anything, Europe has been a hugely liberating experience. Brussels has not only contributed materially to improve the country's infrastructure and reduce its isolation; it has helped Ireland to loosen its economic dependence on the UK, has reduced the influence of the Catholic church, and has introduced competition into the economy, thus blunting the powers of the public sector.

The changes have been dramatic. Oliver O'Shea, a stockbroker, worked for 13 years in Chicago and London, and found "a foreign country" on his return. Compared with the poverty that other generations suffered, Ireland now enjoys a GNP per head higher than the UK.

The long and sad history of emigration – from the Great Famine of the 1840s to the exodus of the 1960s and 1960s – is being reversed as Irish nationals like Mr O'Shea come home to jobs in the rapidly growing information technology and financial services sectors.

The national accounts reveal a 12 per cent gap between GNP and GDP reflecting in part the profits repatriated by foreign-owned companies. But the Industrial Development Agency says the ties between the foreign-owned sector and local suppliers are tightening.

"The deeper the roots they have in the local economy, the more difficult it is pull out," says Kieran McGowan, the IDA chief executive.

Indigenous businesses are also doing well, with a number of companies such as CRH, the building materials group, established as leaders in their sectors. Paul McGuinness, manager of U2, the rock band, says Ireland should also be encouraging its talents in the arts. "We like to think we are good at farming and tourism but we are not that good at farming and the tourism industry needs to confront the fact that we have very xenophobic tendencies."

Certainly, the new-found prosperity is jealously guarded, as was demonstrated by the mean-spirited reaction to the recent influx of Romanian gypsies. But that is a minority reaction. John O'Hagan, at the Institute of Statistics, says the fall in the savings ratio reflects "a real confidence that the boom will continue".

It nonetheless presents challenges for policymakers. The latest Central Bank report expresses concern at signs of inflation pressures. Credit is growing at more than 20 per cent, and house prices continue to soar.

The bank warns "any significant acceleration in inflation could undermine the culture of stability that has been built up over the last decade".

There are indications of labour shortages in some specialist sectors. But more women are joining the workforce, and while net immigration continues, the growth in new entrants to the jobs market is set to continue until 2001.

The transition to a single currency will not be easy. On the face of it, political and economic policies are at loggerheads. With the economy growing at 8 per cent, there would be a strong case for raising interest rates. But the Central Bank is in the unenviable position of having to cut rates to bring them into line with the other euro economies – a full 3 percentage points on current projections.

More than that, the government is committed to cut taxes in the next budget in line with its deal with the unions, which could further fuel demand. Social partnership has provided one of the pillars of economic success. But once the country is party to the euro, such a consensual approach to industrial relations may become more difficult to sustain as businesses seek more freedom to adjust pay, and the government looks to fiscal innovation to compensate for the loss of control over exchange and interest rate policy.

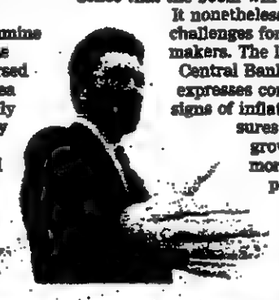
Catriona Murphy, a director at Allied Irish Banks, believes for many companies the real impact of the single currency will be psychological. "In such a small economy, we very quickly bump up against the problem of currency. It can often put businesses off completely. The change will have a dramatic effect on the whole approach to trading," she says.

For Ireland, the long-term success of the project will depend in part on whether the UK joins. A few years ago, the populist view would have been that anything that is bad for the UK must be good for Ireland. But policymakers realise the UK has been and will remain an important safety valve for the Irish economy in absorbing surplus workers when the Irish economy is quiet and providing labour when demand increases.

Mr Ahern is well aware that a UK economy in good shape is in Ireland's interest. He remains optimistic that the UK will join soon.

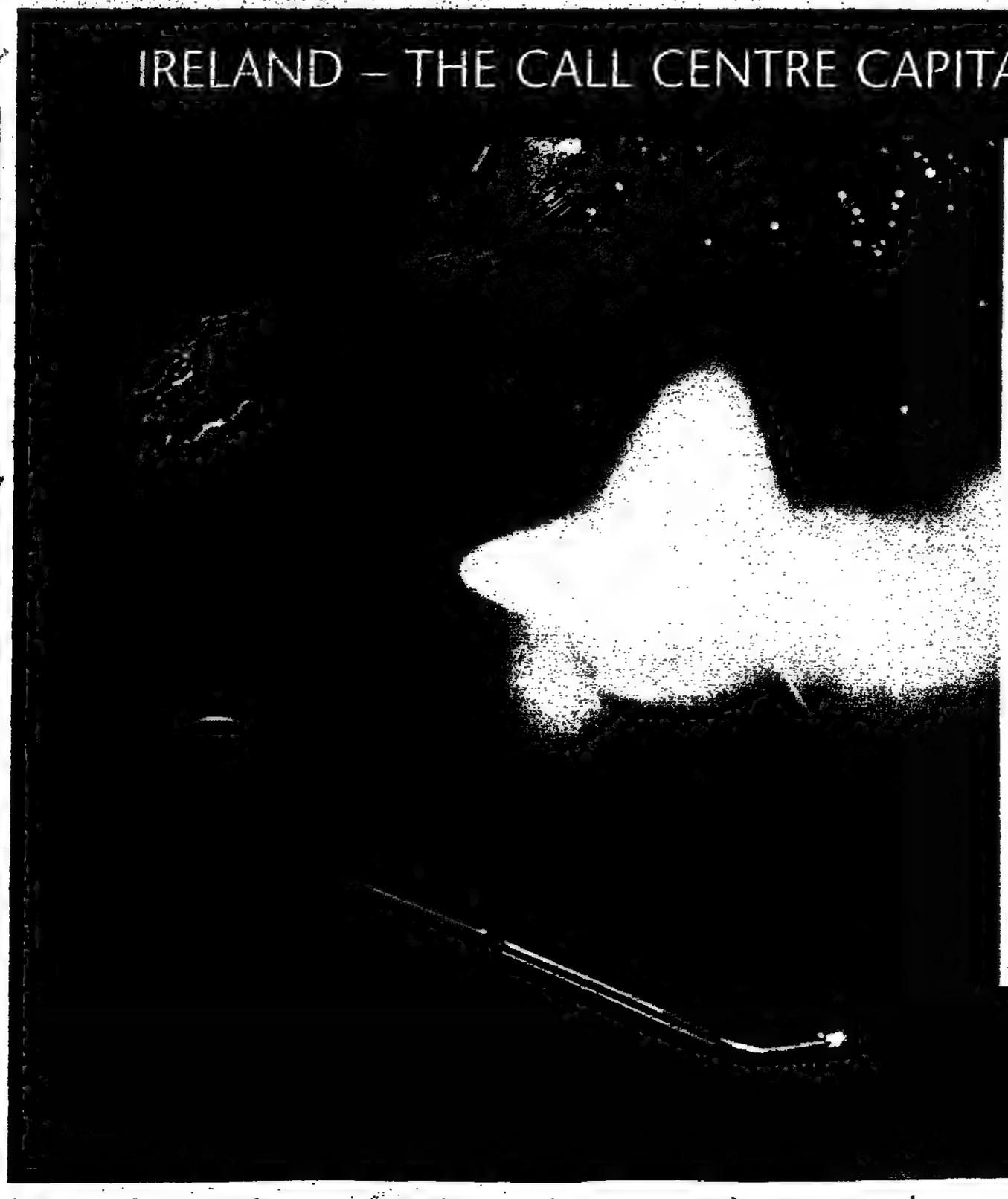
"I do not envisage a situation where in five years' time Britain will be outside the euro," he says.

His hope is that as in the historic settlement in Ulster, old enemies can share a common future in Europe too.



As politicians in Northern Ireland struggle for peace (below, centre), the south prospers. The Customs House (above) fronts Dublin's redeveloped docklands area that now houses the International Financial Services Centre. Bono (left) and his band, U2, show Ireland is not just good at fishing.
Pictures (below, left to right): AP, Reuters, AP.

IRELAND – THE CALL CENTRE CAPITAL OF EUROPE



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ECONOMY • by John Murray Brown

Celtic tiger's strength amazes

A record of low inflation and high growth is baffling even those who have achieved it

The tiger may be an endangered species in Asia, but Ireland's celtic breed would appear to be alive and kicking. The Celtic tiger tag – coined by Morgan Stanley, the US bankers, in a report back in 1994 – is not one that the policymakers in Dublin are particularly comfortable with. It suggests something exotic and dangerous. The Irish economic miracle, they insist, is based on firm ground.

But is this economic success sustainable? The labour supply is continuing to grow at well above the European Union average, with the result that industry with some exceptions has not met the constraints you might expect in such an expanding economy. After decades of emigration, Ireland's recent economic success is attracting people home with net immigration set to continue. There is likely to be some flattening-off of the rate of labour supply growth. The number entering the workforce is likely to peak in 2001.

The increase in jobs has given many women more financial independence. But female participation in the workforce is still 5 or 6 per cent below the European average and even further adrift from the rates prevailing in the more developed north European economies.

Officials sound an optimistic note for the future, and point to a strong correlation between female participation in the labour force and the improvement in female education with more girls than boys doing mathematics, for example, in secondary schools.

Policymakers can do much to encourage further female participation through changes in childcare and other welfare programmes.

There are already shortages in some sectors – particularly for software engineers and software technicians. But headline unemployment is still at 9 per cent, down from 10.2 per cent this time last year. This compares with 16 per cent five years ago. Dermot O'Brien, economist with NCB stockbrokers in Dublin, believes it can fall much further. Brendan Walsh, economics dean at University College Dublin, points out that short-term rates – at around 4 per cent – are now lower than average US rates.

Much will depend on maintaining the social partnership that has underpinned macro-economic policy for the last decade. With Ireland entering the single currency, and with the authorities no longer able to use interest and exchange rates to influence demand, the government is likely to be under pressure to adopt a flexible incomes policy, to include profit-sharing, when the current pact comes up for negotiation next year.

Budget support from the European Union is set to dry up as new members from the poorer agriculture-based economies of eastern Europe prepare to join. The structural funds – worth around I£2bn a year or 2.5 per cent of GNP – have helped improve Ireland's infrastructure and thus its productive capacity, but with income per capita fast approaching the EU average and set to overtake the UK in 2000, it is hard to argue for continued transfers.

In the area of competition policy, more time will be devoted to deregulation of the public utilities.

On the inflation front, officials point out Ireland's inflation rate as a small, open economy is largely determined by exchange rate factors and the inflation rate of its main trading partners. With labour markets between the UK and Ireland integrated in many sectors, the performance of the UK economy has a big bearing on Irish inflation.

The figure reached 3.2 per cent in the year to August – the highest level in 6 years – but officials predict it is peaking.

There is a clear perception that the British pound is over-valued. The recent weakness of the Irish pound – relative to sterling – should have resulted in higher inflation. But officials point out that the pricing policy of UK retailers arriving in the Irish market has helped restrain the rate. The fall in the effective Irish pound exchange rate has also coincided with relatively modest world commodity prices, a timely bonus.

The price index tells only part of the story. Some economists worry about the impact of wage push inflation. Although Partnership 2000 – the three-year wage pact between unions and business – envisages wage increases of around 2 per cent, the government's tax take, with PAYE returns at record levels, would suggest that in many areas it is already much higher. However, officials say despite concern that the inflation figures may be misleading, there is no evidence in manufacturing data that workers are exceeding the terms of the national agreement. In any event, because of the increased competition in the economy there is little scope for passing on wage increases in higher prices. Moreover, many of those in employment are in the multinational sector, which is not producing for the domestic market but for export.

Of more concern is the housing market. The rise in prices – up almost 40 per cent in Dublin according to the Irish Permanent's latest housing index – is a direct result of the rising level of employment, the demographic blip, lower interest rates and supply constraints. The long-term solution is an increase in housing supply. But officials express confidence this is not a speculative boom – as it was in the UK in the 1980s. Changes in the tax treatment of investment property in the last budget have helped to take some of the heat out of the market. But government officials point out interest rates are set to fall – as Ireland brings rates into line with those in the core European economies with which it will be united in the single currency next January.

Much will depend on the continuing prudent lending policies of the banks and mortgage companies. Loan to value ratios have been improving.

For all that, there is still some surprise that an economy can grow at such a pace and still not feel the effects of inflation. At a recent press conference, Charlie McCreevy, the finance minister, made a public admission: "even my officials do not know why inflation is not higher".

Farming, the traditional foundation of the economy, risks being hit hard by reform to Europe's Common Agricultural Policy. But there's plenty of good news to compensate

The leader of the pack

Ireland's economic performance continues to astound. It has achieved average growth rates of 6 per cent through the 1990s – the highest of any European Union economy and one of the fastest rates in the countries of the Organisation for Economic Co-operation and Development (OECD). GDP growth reached 10.4 per cent in 1995, 7.1 per cent in 1996 and 9.5 per cent last year.

The finance ministry confidently predicts it can sustain rates of around 5 per cent over the medium term.

To support this prediction, officials point to the growing labour supply and the impact of foreign direct investment. Ireland has attracted record levels of foreign companies in the high productivity, high technology sectors – defying the notion that peripheral members of the European Union would suffer with the advent of the single market.

The indigenous business sector has also done well, with listed companies reporting strong earnings. Rates of profitability across the economy have increased, fuelling employment growth.

The improvements deriving from these structural factors have been buttressed by macro-economic policies that have helped achieve wage stability and keep inflation in check. Moderate wage increases agreed under successive national agreements between labour and management have led to improvements in competitiveness. Productivity has increased as unit labour costs have dropped.

Even before the Maastricht restrictions were imposed on EU members, Ireland had curbed its budget deficit to less than 3 per cent. The budget recorded a surplus of around 1 per cent of GNP last year and is expected to rise to between 1.5 and 1.75 per cent this year.

INFORMATION TECHNOLOGY • by Nuala Moran

The pulling power of a president

Bill Clinton has helped attract much-needed US IT investment to Ireland

Peace, golf and Monica Lewinsky may have dominated the news, but another item firmly on the agenda during President Clinton's visit to Ireland earlier this month was the country's high-tech economy, and the role that US inward investment has played in creating it. This was symbolised with the signing, by President Clinton and Taoiseach Bertie Ahern, of a joint communique on electronic commerce, using electronic signatures.

The ceremony took place during a visit to the European headquarters of Gateway 2000, near Dublin, where over 1,600 people are employed – manufacturing, selling and supporting personal computers across nine countries in Europe. But in truth the presidential party could have chosen from a long list of US-owned IT companies in Ireland, including IBM, Intel, Dell, Oracle, Microsoft, Novell, Lotus and Compaq.

Over 30 per cent of investment in Europe by US IT companies goes to Ireland. This has resulted in Ireland becoming the second largest software exporting country after the US, with around 40 per cent of packaged software and 60 per cent of business applications sold in Europe coming out of Ireland.

The greatest success to date of Ireland's inward investment strategy came in January this year when Dell Computer Corporation announced that it was to create 3,000 jobs over three years. With 1,400 already employed by the PC manufacturer, this will make Dell one of the largest private sector employers in the country. While this is the largest job creation project in the history of the state, Dell's news highlighted the fact that inward investment can be here today and gone tomorrow. Part of the expansion plan includes Dell's taking over a factory left empty by the Korean company AST when it cut back operations at the end of 1997, with the loss of 300 jobs.

This followed the closure in December 1997 of Seagate Technology's disc drive plant in Clonmel, County Tipperary. The plant opened only two years earlier and employed 1,400.

Recognising that companies lured by grants, low tax rates and relatively cheap labour are often short-term investors, the Irish government now has a policy of encouraging companies to put down roots, by introducing strategic functions such as sales, marketing development and customer support. Dell is viewed as the model of a company with deeply integrated business functions, in line with the type of operation that the Industrial Development Authority (IDA) is now targeting under this strategy.

Digital set up its Galway plant, manufacturing minicomputers, in 1971. It looked like a body blow to Ireland's inward investment strategy when the company announced in 1993 that the plant was to shut down with the loss of 700 jobs. But the factory closure did not signal Digital's withdrawal from Ireland. Instead, the focus of the operation has shifted from manufacturing to software and services.

Galway is now the home of Digital's European Software Centre, employing over 500, while in Dublin the company has established a Year 2000 Centre, serving clients worldwide, and earlier this year opened a call centre that forms one of three global hubs for customer service and support.

In short, Digital in Ireland is no longer focused just on the Irish market, but on the whole of Europe.

There is a tendency to think that Ireland's success in attracting investment hangs on a plentiful supply of grants and a low rate of corporation tax (currently 10 per cent and due to increase to 12.5 per cent). But Peter Donnelly of Digital says that the business case for siting the multi-million pound call centre in Dublin did not even mention the availability of government grants. "Grants cannot be a disincentive, but there are a lot of other factors that must be weighed up in making this kind of investment. You can get grants wherever you go."

Factors cited as encouraging inward investment include a highly skilled workforce and developments in telecommunications which mean that Ireland's position on the western edge of the continent, is no longer an issue. At present there are 27,000 graduates a year coming on to the labour market, of whom 10,000 have science degrees. School leavers who have IT training are becoming an increasingly important source of recruits.

In addition, the government has encouraged the setting-up of joint science and language courses to support inward investment operations serving customers across Europe.

Isocor, which produces internet software, exemplifies the importance of the skills base in attracting inward investment. It has chosen to set up its software development centre in Dublin, in preference to siting it at the US headquarters in Santa Monica, California. David Longley, European general manager, says: "It is not the usual model, but the directors who set up the company in 1991 had previously had dealings in Ireland and knew the quality of graduates coming out of computer science courses really is top class."

President Clinton and Bertie Ahern before their electronic signing of a new e-commerce communique AP

Aside from the jobs created when an overseas company opens up shop, one of the main justifications for putting public money into inward investment is that it fuels the development of indigenous companies. Indeed, the Irish software industry is now one of the most important sectors of the economy, employing over 20,000 people. But while exports from the sector as a whole are worth I£4bn, exports from indigenous companies are valued at only I£400m. To put this more starkly in perspective, there are 500 indigenous companies and 100 foreign-owned companies.

With a home market that is almost irrelevant, the success of indigenous software companies hinges on exports. To achieve this, Ireland not only needs to increase the number of companies, but more importantly must establish large groups that can dominate global markets in their chosen niches.

There is one role model, Iona Technologies, which produces software called middleware which enables applications running on different kinds of computers to operate together over networks. Iona was spun out of Trinity College Dublin in 1991, and floated on the US Nasdaq exchange in February 1991, raising US$138m, making it the fifth largest software company flotation.

For Chris Horn, founder and chief executive, the main hurdle in getting Iona started was a shortage of venture capital. Its successful flotation has encouraged the Irish venture capital industry to put money into software, although the Irish Software Association says that less than I£15m was invested in 16 companies in 1997. "While an improvement on previous years, this is totally inadequate to finance Irish companies hoping to compete in global markets."

CALL CENTRES • by Nuala Moran

Turning their headsets red

Dubliners are fast becoming a leading source of customer support

Dublin has call centres coming out of its ears. In Ireland as a whole, and the capital in particular, the sector has enjoyed rapid growth over the past five years.

The centres perfectly reflect the country's dual strengths of a highly trained workforce and a modern telecommunications infrastructure. Although other locations, such as Scotland, are able to boast a greater number of call centres, Ireland has the distinction that the majority of its centres are providing multi-lingual, pan-European services, rather than purely national services.

In addition to US multinationals such as the PC manufacturers Dell Computers and Gateway 2000 which support their European operations from Ireland, and the software company Oracle which does direct marketing across Europe from its Dublin centre, a number of specialist call centre companies have chosen Ireland as the base for their third party operations. One is the Merchants Group, which opened its call centre in Cork City in March this year.

The company already had two call centres in Milton Keynes from where it provides third party services for IT, financial services, pharmaceutical, healthcare and utilities companies. It investigated sites in Scotland, Wales, Bradford, Leeds, Nottingham and Kent, before choosing Cork.

It is often thought that the success of the Irish Industrial Development Authority (IDA), in attracting inward investment has rested on grants and other inducements, but Andrew Whiteman, director of the Merchants Group, stresses grants are on offer in most locations. "It is a pretty level playing field in terms of the assistance available. If you are going somewhere because of grants it will probably be a big mistake – it won't give you what you need in terms of skills and other factors." For example, Scotland with its attractive grants regime, has the greatest concentration of call centres in Europe, but Mr Whiteman said: "We decided not to go there because of the competition for staff. We train people to a high standard, and we wouldn't want them going down the road for seven and sixpence an hour more."

Eighteen months ago, when Merchants Group began to prospect for a site, there were 4,000 call centre seats in Ireland, of which 3,000 were in Dublin. "Rents in Dublin were as high as Milton Keynes, and salaries about the same."

Cork is cheaper and there was no substantial call centre in the city, which has 500,000 people within commuting distance. "It's good to go somewhere first, though I have no doubt that all the cost differentials will erode in time. But the IDA won't kill the goose that lays the golden egg by attracting too many call centres to come to Cork."

Indeed there appears to be an informal policy not to attract any more call centres to Dublin, so that while the IDA will provide support and advice for any company that chooses to set up there, the agency is not actively encouraging anyone to do so. The Merchants Group centre which opened with 60 staff will eventually employ 600, and represents an investment of several million pounds. The customers are in 40 different countries, requiring staff with skills in 16 different languages.

Language skills have been an important factor in encouraging the development of the call centre sector in Ireland, with many centres supporting customers across Europe. For example, Symantec, the software tools company, has a support centre dealing with French, Dutch, Italian and Spanish customers.

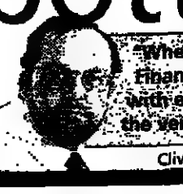
Symantec first moved into Ireland seven years ago to set up a manufacturing facility, drawn by the fact that there are so many other US companies based in the country. "By 1996 we needed a call centre to take over support from our distributors," says Hal Stanley, senior manager for customer support in Europe.

The centre opened in the middle of 1997. "We came to Dublin because there is a young, highly educated workforce, with a good level of university graduates. In addition there has been extensive investment in the infrastructure, and telecoms costs are among the cheapest in Europe."

Originally Symantec planned to recruit technical graduates with language skills, but was aware that it might not be able to retain the interest of such highly trained staff for a long time. "Now we are seeing a shift to a different level of employee, with Leaving Certificate and language skills. We're not a sweatshop, and don't want to see people burnt out in a year, because we put a big investment into training them."

Another large Dublin call centre houses the direct marketing division of Oracle, the US software company. Oracle Europe is Ireland's fifth largest IT inward investor, with turnover of I£600m in 1997. Oracle generated one million telephone calls from the Dublin centre, resulting in the completion of 20,000 orders.

The bottom line...



"When we looked at establishing an operation at Dublin's International Financial Services Centre, we were really impressed by the quality of people with experience of the life assurance industry. Our decision to proceed with the venture has been fully justified."

Clive Cowdery, Chief Executive, Scottish Amicable International Assurance.

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...is Ireland

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Mary O'Rourke is hastening telecoms liberalisation *Collins, Dublin*

TELECOMS • by John Murray Brown

Advocate of pragmatic privatisation

Mary O'Rourke is no Thatcherite, but she believes the time is right for a sell-off

Mary O'Rourke, Ireland's minister for public enterprise, is no great fan of Margaret Thatcher, and is keen to emphasise her privatisation plans will be quite different from those of the former British leader.

Mrs O'Rourke – sister of the late Brian Lenihan, the popular Irish foreign minister – is described as the most pragmatic minister in the government.

But she is a politician to her finger tips. Most observers believe it was only when she was confident that popular resistance to selling off state companies had waned that she decided to press ahead with her modest programme.

Earlier this month, Aer Lingus, the national airline, was given the go-ahead to seek out a strategic partner. But it is Telecom Eireann, the state telecommunications company, which is the real jewel.

The planned flotation next summer will be the largest ever Irish issue and is expected to add about 2.5 per cent to the market capitalisation of the Dublin stock exchange.

The public offering has won the backing of TE's unions, who are being offered 14.9 per cent of the company under a novel employee share ownership scheme. Mrs O'Rourke believes the scheme will offer a model for other state companies.

"There's been a lot of inanity in the press about this issue – that the workers are getting all these shares for free. But just look at all the money that is made on shares by all sorts of people and it is the workers who have contributed. If I'm hastening the pace of liberalisation, you have to have the workers with you," she says.

> 'We have the circus set up, but we're still selling the seats'

Alfie Kane, TE's chief executive, concurs. "It's a ground-breaking deal in industrial relations. It's a way to free up the culture of the company and accelerate the restructuring in cost cuts and improvements in working practice. The workers are given an emotional and financial lock-in."

Ireland's telecommunications market is growing at between 12 and 14 per cent a year. The market is worth around IE1.4bn – mobile telecoms alone are worth IE250m.

This is tiny by European standards, but penetration – the measure of the number of lines per head of population – is very low. And with the surge in foreign investment, demand for modern services is growing.

"You shouldn't judge Ireland just as a market of 4m people. We have a high proportion of the telecentres in Europe, a market of more than 300m," says one of Mrs O'Rourke's senior advisers.

As the market prepares to open to competition, prices have come down and the range of suppliers and products available has increased.

Telecom Eireann still has a monopoly position in voice telephony for the residential market. But there are corporate providers using lines leased from TE. There are also two alternative mobile operators.

Telecom Eireann is now 20 per cent owned by a consortium of KPN, the Dutch telecommunications company and Telia, the Swedish operator. Morgan Stanley, the US bank, structured the deal to provide KPN-Telia with a 15 per cent option which would involve a claw-back clause. The elegance of the agreement is that it gives both parties an incentive to see profits maximised.

Mrs O'Rourke has now brought forward the date of full liberalisation. Brussels had ruled that the Irish market for voice telephony – as opposed to data – should be protected from competition until January 2001. The market is now to be liberalised from this December.

How did Telecom Eireann take it? "They swallowed hard and got on with it," she says. "But there were so many areas where we were not developing because there was this comfortable feeling of 'we've got another length of time before we have to face competition'. I didn't think in the telecoms industry it was the best way to proceed."

The government's view is it would be inconsistent to maintain the "derogation" while at the same time claiming to be a world leader in information technology.

Liberalisation will stimulate some investment interest. Cable and Wireless, the UK operator, has just announced plans to expand its Irish operations. Ocean – a joint venture between British Telecommunications and Ireland's Electricity Supply Board – says it will spend IE100m over three years. BT is set to make use of ESB's power lines – thus avoiding the expense of leasing lines from TE. But the industry expectation is that Ocean will be concentrating its efforts on Ireland's booming teleservices.

More immediately, the early opening of the market will have little impact. Esat Telecom, the private operator founded by Denis O'Brien and the main competition to TE, has around 20 per cent of the corporate market but it is still in many respects in the research and development stage. It is making losses, although it expects to break even – before tax and interest – by the end of 1999.

"We have the circus set up but we're still selling the seats," says Mr O'Brien. "But this is a game of numbers. If we can be the low-cost operator, we will have a tremendous pricing advantage."

This is where the regulator comes in. Etain Doyle has been in intensive discussions with the companies – and has even opened her doors somewhat tentatively to the Irish press. She is in talks on the allocation of telephone numbers – currently in TE's control. Negotiations over inter-connect rates are ongoing.

Mr O'Brien believes this will form the first test of whether the regulator is prepared to set a level playing field. TE can be expected to resist this. The current rate – which is the charge TE exacts to transmit calls along its infrastructure – is almost 10 times the EU benchmark rate. According to Esat, TE's latest offer to the regulator is 70 per cent higher than the highest EU rate and 220 per cent more than the lowest.

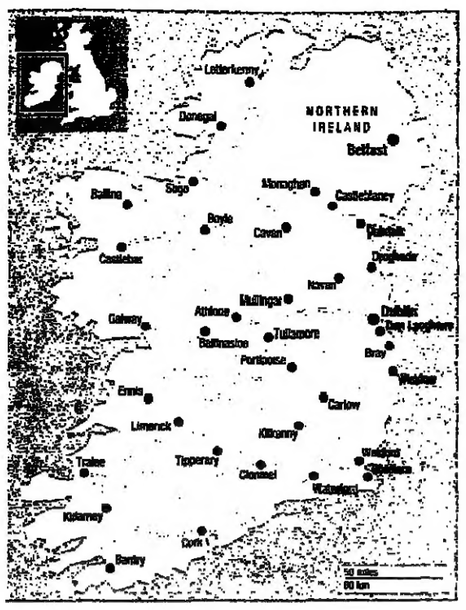
- **Area:** 68,890 sq km
- **Population:** 3.86m (April 1997 est)
- **Languages:** English, Irish (Gaelige)
- **Currency:** Irish pound or punt (IE)
- **Exchange rate:**
  1997 average IE1=DM2.6274
  September 15 1998 IE1=DM2.5032
- **Main towns and population (1996)**

Dublin City (capital)	481,000
Dublin Metropolitan Area	1,057,000
Dun Laoghaire + Rathdown	190,000
Cork	127,000
Galway	57,000
Limerick	52,000

Constitution

- **Official name**
  Ireland
- **Form of state**
  Republic
- **Legal system**
  Common law; written constitution (1937)
- **National legislature**
  Bicameral Oireachtas (parliament); Dáil (lower house) of 166 members directly elected by proportional representation for a five-year term; Seanad (Senate) of 60 members, 11 nominated by the prime minister, six elected by the universities and 43 elected by an electorate comprising members of the Dáil, the Senate and local councillors
  The Senate has powers of consultation and amendment only and may not veto proposals emanating from the Dáil; it has a maximum period of 90 days to consider bills from the lower house. The Senate serves for the same term as the Dáil
- **National government**
  Cabinet headed by taoiseach (prime minister) appointed by the president on the basis of ability to gain the support of the Dáil. There is currently a Fianna Fáil-Progressive Democrat minority coalition government; cabinet appointed June 26 1997
- **Electoral system**
  Universal direct suffrage over age 18 using the single transferable voting system in 41 multimember constituencies
- **National elections**
  Next election due by May 2002
- **Head of state**
  President, directly elected for a seven-year term. The current president, Mary McAleese, was elected in October 1997
- **Main political parties**
  Fianna Fáil (76 seats); Fine Gael (53 seats); Labour party (18 seats); Progressive Democrats (4 seats); Democratic Left (4 seats)

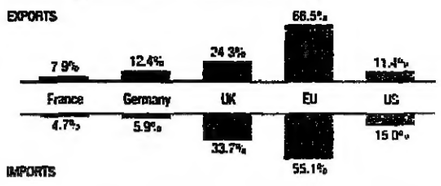
Sources: EIU; Datastream/ICV



Economic summary

	1998 (estimate)	1999 (forecast)
Total GDP, nominal ($bn)	71.8	80.0
Real GDP growth (annual % change)	8.0	6.5
GDP per head ($)	19,574	21,691
Inflation (annual % change in CPI)	3.2	3.4
Real wages (annual % change)	-1.3	0.7
Manufacturing production (annual % change)	12.0	10.0
Unemployment rate (average, %) [1]	9.2	8.4
General government balance (% of GDP) [2]	0.6	0.5
Government debt (% of GDP)	59.7	52.9
Current account balance ($bn) [3]	-0.3	-0.5
Merchandise exports ($bn)	50.9	65.8
Merchandise imports ($bn)	-37.7	-40.6
Trade balance ($bn)	21.2	25.2

Main trading partners (share of total trade to world 1997)



1 Standardised unemployment rate 2 Maastricht definition 3 BoP definition

POLITICS • by John Murray Brown

Favour isn't everything

Despite record ratings in the polls, Bertie Ahern faces a rocky road ahead

Bertie Ahern must have been pleased with the news. A poll earlier this month suggested he was the most popular taoiseach ever – even more popular than Sean Lemass, in many ways the architect of Ireland's modern economy.

The same poll had his populist Fianna Fail party well ahead of the pack with 41 per cent approval against the conservative Fine Gael with 18 per cent.

Fianna Fail – Ireland's answer to the Gaullist party in France – is currently in coalition in what is in effect a minority government with Mary Harney's right-of-centre Progressive Democrats. Mr Ahern also has the support of a handful of independents – most of them disaffected Fianna Fail members.

At first glance, the government would appear stable. The Northern Ireland peace settlement has certainly boosted Mr Ahern's standing even among those who would not be natural admirers. The former labour affairs minister used his renowned skills as a conciliator to help forge the historic deal. And the party has been able to bask in the glow of being the European Union's fastest growing economy.

Yet behind this feel-good mood, some commentators believe there is a time bomb ticking under the two main parties as they await the outcome of the twin Moriarty and Flood tribunals.

These two government-appointed high court investigations are separately looking into corruption allegations in the sensitive areas of political donations and abuse of planning rules.

In the absence of a more rigorous parliamentary committee system, such tribunals of inquiry have played an important role in Irish political life in recent years. There was the Beef Tribunal which exposed fraud in the beef industry – although no politicians were forced to resign as a result. There is some grumbling about the legal costs involved. But there seems to be widespread public support for what the investigators are trying to achieve.

The latest tribunals have already seen the 72-year-old Charles Haughey – in many ways the most charismatic Irish politician of recent years – facing the prospect of a prison sentence if convicted of misleading the investigation into secret payments made to him by a big businessman when he was prime minister in the early 1980s. The tribunal's barristers have displayed a keen forensic nose, tracing Mr Haughey's money to bank accounts as far afield as the Cayman Islands.

Mr Ahern has emerged untarnished by Mr Haughey's troubles. However, the coalition suffered a more direct casualty with the resignation of Ray Burke, Mr Ahern's foreign minister, who faced allegations that he received undeclared payments from a north Dublin builder.

The Burke affair was harder for Mr Ahern to distance himself from. He initially stuck by him. Some politicians believe it showed a lack of judgment on his part – coming on top of rumours about Mr Burke's involvement in a series of planning controversies in his north Dublin constituency. Several cabinet colleagues also criticised Mr Burke's appointment at a critical point in the peace process.

But his eventual departure was acrimonious. Much to the evident surprise of party managers, Mr Burke not only resigned his cabinet post but announced he was standing down from the Dáil, thus pitching Fianna Fail into a by-election in the very constituency where the party was facing the allegations about planning abuse.

The real fear is that the ongoing investigations could throw up other names. Mr Ahern has to date managed skilfully to shield himself from the flak arising from both the Haughey investigations and the scandal surrounding Mr Burke.

Mr Haughey once described the young Mr Ahern as the "most cunning and most devious of them all". That was high praise from the then party leader. But if fresh allegations do emerge, it could put renewed strain on the Fianna Fail-PD coalition.

Bertie Ahern might be popular but his ostensibly stable government could face trouble if corruption investigations continue to go badly

If Mrs Harney and her two PD colleagues withdraw their support, the government would be unsustainable. In Dublin you will find few people who would not put money on Mr Ahern being forced to go to the country before the end of 1999. If both top parties are tarnished by the findings of the tribunals, the prospects of the smaller parties – already on an upward trend – look good.

Labour and the Democratic Left, who are currently in possible merger talks, could benefit. Joe Higgins of the Socialists – currently a one-man party – could do well.

Perhaps the greatest beneficiary could be Sinn Fein, which is not only close to Fianna Fail politically but would be entering the election with a peace deal in place in Ulster which could transform the attitudes of the habitually cautious southern electorate. All of this may remain in the realm of speculation. The only grain of comfort for Mr Ahern is that Fine Gael is equally likely to be tainted by the current tribunals.

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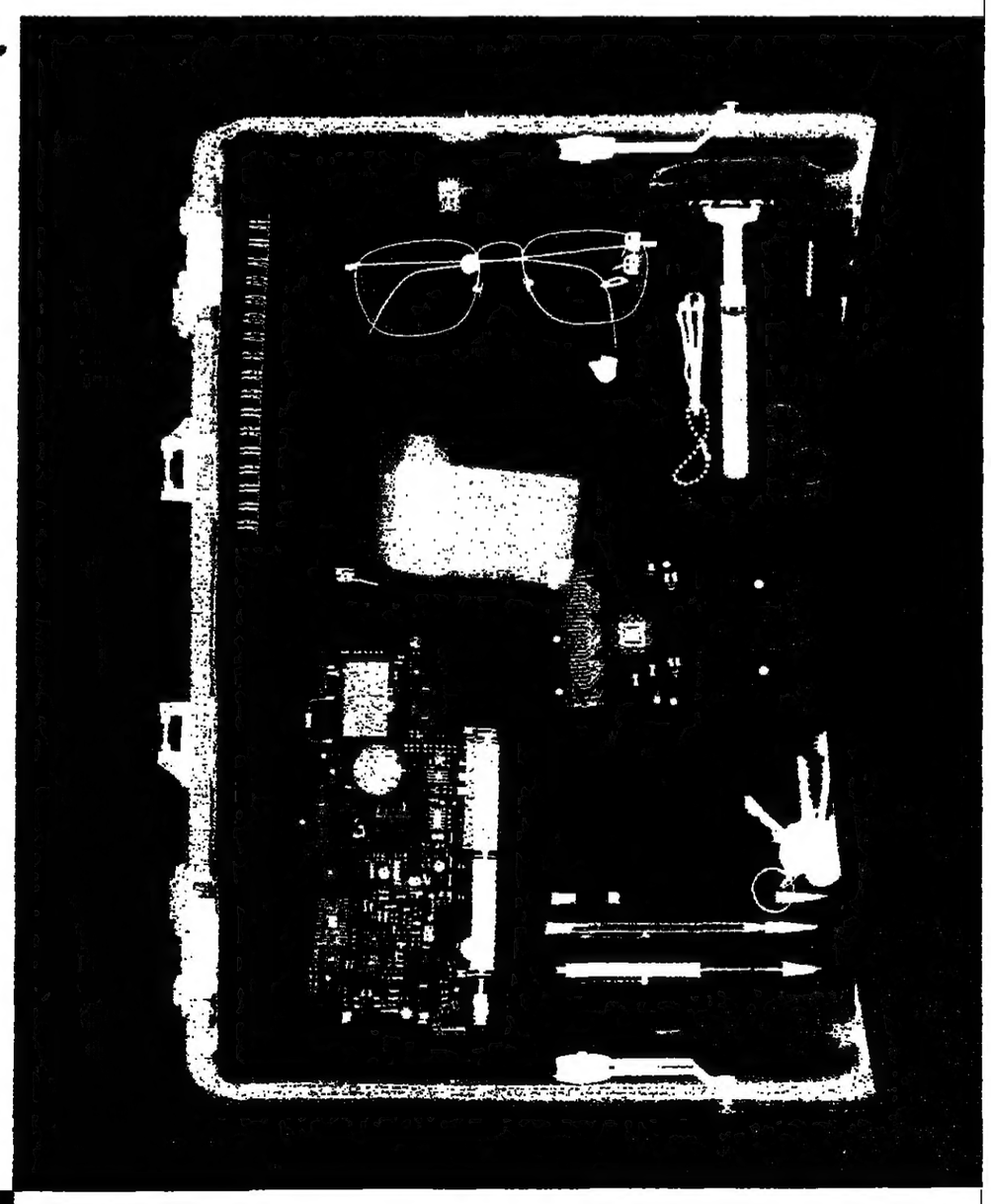


OCEAN answers

The communications business of **BT** *and* **ESB**

POWER • by Aidan O'Sullivan

Charged up for reform

New generators are being drawn to the market but an ESB sell-off remains unlikely

Power, much like telecommunications and other areas that have historically been under state control, could soon be in for a shake-up.

In February 2000, some 28 per cent of the industrial electricity market – equivalent to the top 300 energy users – will be thrown open to competition.

To date, the only contract to be awarded to a foreign company has been to IVO of Finland which is building a peat power generating plant in the Irish Midlands. The suspicion in the industry is that this move had less to do with energy policy than the need to keep Bord Na Mona – the state peat company and a big employer in rural areas – in business.

In July, the government invited the Electricity Supply Board (ESB), the state monopoly, and other operators such as Marathon of the US and Viridian, formerly Northern Ireland Electricity, to give their responses to a consultation paper on the future of the industry.

The paper looks at the mechanics for energy trading. It also looks at licensing and tariffs, and outlines the role for the regulator, which the government hopes to have in place soon. Legislation is set to go before the Dáil, the Irish parliament, by the end of this year.

It is a packed agenda – although officials are quick to stress there is no question of privatising ESB for the time being.

The limited liberalisation of the market is in line with directives from the European Commission. In practice, it is unlikely that any private power company will be ready to produce by February 2000.

But there is an increasing urgency to see further plant commissioned. Capacity is around 3,000MW. According to the Economic and Social Research Institute, demand is projected to increase by 150MW a year from 2000.

A small amount of energy is produced using non-fossil fuels – again in line with EU rules. There is already a small wind power industry, with the entire output bought by the ESB.

Huge potential has been identified along the shallow sand banks in the western Irish Sea to build offshore wind farms in co-operation with the authorities in Northern Ireland.

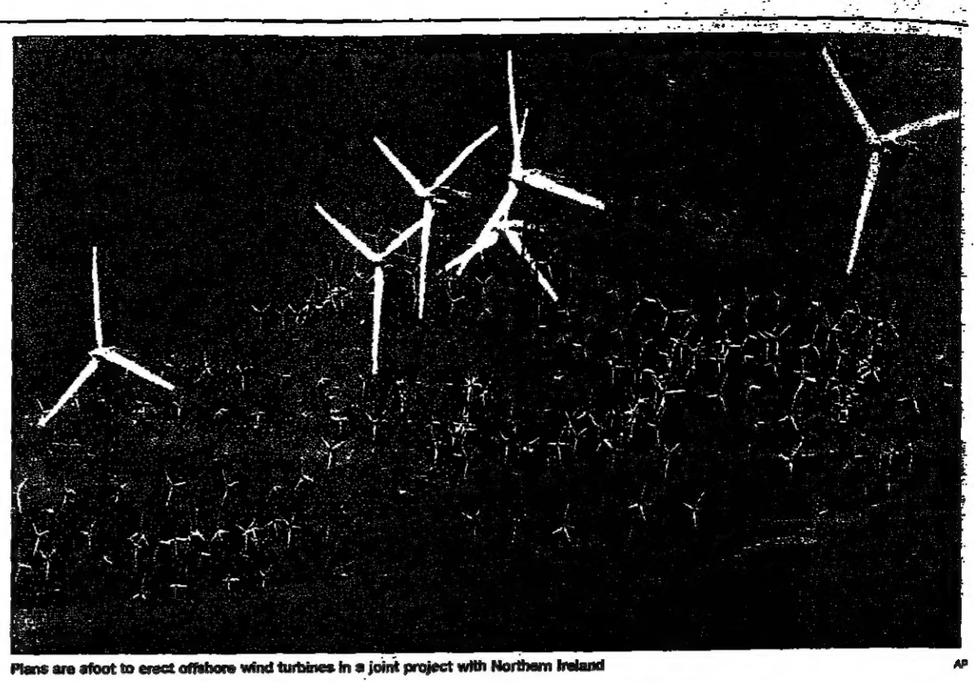
The last government – the Fine Gael-led Rainbow coalition – also proposed that generators of "green" electricity should be able to use the ESB's grid, a move that would create localised hydro and wind companies. But plans have been held up over rights and payments for access to the grid.

On a smaller scale, a growing number of businesses are developing their own energy-efficient combined heat and power (CHP) plants such as the Guinness brewery in Dublin. Denis O'Brien, whose fortune has been made out of radio and a mobile phone concession won by his Esat Telecom company, plans to set up his own private power company, and is known to be seeking foreign partners.

However, the real focus is on the threat to ESB's monopoly position from new operators entering the fray. A dozen private power companies wait in the wings. Some are more enthusiastic than others.

Marathon insists it will have a new power plant ready by 2000, but it is the only company making such a claim. Viridian has said it will bid on power contracts in the Republic. In September, it took on a number of key senior personnel from Yorkshire Electricity expressly to develop these areas of "unregulated" business. The company is understood to have teamed up with CRH, the Irish building materials company and one of the country's largest energy users, to create an independent power plant, which could generate up to 300MW.

As for ESB, it is busy expanding its international business. It already has a minority interest in the Corby power station, with Dominion Resources of the US, and in Northern Ireland it recently bought a stake in Coolkeeragh power station in Londonderry. ESB remains highly profitable. It also enjoys political connections, which will help ensure that few changes are pushed through without its acquiescence.



Plans are afoot to erect offshore wind turbines in a joint project with Northern Ireland AP

WEST OF IRELAND • by Kieran Cooke

Rural areas complain of pitiful neglect

Towns such as Ballina in County Mayo typify the region's poor relation status

The town of Ballina lies on the western edge of Ireland, surrounded by the bleak but hauntingly beautiful landscape of County Mayo. The Moy, one of Europe's finest salmon rivers, flows by churches and old warehouse buildings. The Atlantic wind whips down streets lined with fishing tackle shops and pubs.

Mention of the Celtic tiger brings a wry smile to the face of Terry McCole, a Ballina college principal and former head of the local urban district council. "People round here say Ireland's economic tiger must have run out of steam on its journey to the west from Dublin. The politicians and planners have largely ignored this part of the country. Dublin and the east have been grabbing the bulk of investment and benefits of economic growth – we're left to fight over the crumbs."

Mr McCole's views are echoed all along Ireland's Atlantic seaboard – from County Donegal in the north-west to County Clare in the south-west. Ireland, say the government's critics, is fast becoming a two-nation state. On the eastern side of the country are the increasingly wealthy areas around Dublin and Cork, sucking up inward investments and EU funding. On the other are the disadvantaged border, midland and western counties, bereft of investment and facing serious population declines.

Ballina, County Mayo's biggest town with a population of 8,000, has an unemployment rate of 25 per cent – over twice the national average. In the early 1970s Asahi, the Japanese group, opened a synthetic fibres plant near the town with the promise of 1,100 jobs. At its peak, employment reached 500 – the plant was forced to close down last year due to worldwide overcapacity for its product.

"The government does not have any proper regional policy," says Mr McCole. "The whole system is designed for the cities. The one place in the west that is really thriving is Galway, which has attracted millions in investment and is now the fastest growing city in Europe. But we have had to fight very hard to achieve some progress."

Ballina's efforts have met with some success. A £10m hotel and apartment complex is being built in central Ballina. The tourism industry is flourishing. More than 150,000 attended a recent festival there – attractions included an animal olympics, with heavy betting on the duck and pig races.

A number of small industries, including a seed potato enterprise, have been established. A computer company is creating 100 jobs. Coca Cola recently announced a multi-million pound investment in a research facility in the town which will employ 150 people. And there are plans to set up a small university institution, specialising in theological studies.

"There's no doubt there is a confidence that was absent five years ago," says Terry Reilly, editor of the local Western People newspaper. "But in comparison with what's going on in the east of the country, development in this area is still slow. The great worry is when the economic downturn comes – as it inevitably will – what will happen here? The west has always been the last area to receive the benefits of economic growth and the first to be hit by a decline."

Many schools, hospitals and police stations in the area have been forced to close. The road and rail network is in dire need of updating. Graduates are forced to migrate to the east in search of jobs – the result is a declining skills pool in the west and problems of overcrowding and rapidly increasing house prices in the east, primarily in Dublin. More than a third of Ireland's population now lives in the Dublin area.

Next year Brussels is due to review Ireland's Objective One status, under which the country has received millions of pounds of EU development funding. Mr Reilly and many others say the government won those funds due to the underdeveloped state of the west of the country – but then proceeded to spend the bulk of the Brussels money in the east.

Due to the rapid growth of its economy, Ireland is almost certain to lose its Objective One status. However, many in the west are determined to fight for its retention in their region.

"So far we've had lots of government reports and initiatives but no real action," says Mr McCole. "What's encouraging is that local people are now getting on with developing the area, with or without government help. Perhaps we'll breed our own Celtic tiger."

The gulf is growing between locations in the west and the highly developed regions around Dublin and Cork

Learning Japanese pays dividends

Sean Hannick, a native of the small County Mayo town of Killala in the west of Ireland, was one of the local negotiators involved in persuading the Japanese Asahi company to set up an industrial plant in the area back in 1972.

Last year the Asahi plant closed. The large complex stands idle on a hillside between Ballina and Killala. Mr Hannick is stoical about Asahi's departure. "It was a blow to the community but the factory did provide hundreds of jobs for more than 20 years. We also learned a lot from the Japanese."

In 1981 Mr Hannick set up Killala Precision, manufacturing a wide range of turned components, from pen tops to washers and screws. The privately held company now has an annual turnover of £2.5m and by the end of this year will provide 80 badly needed jobs.

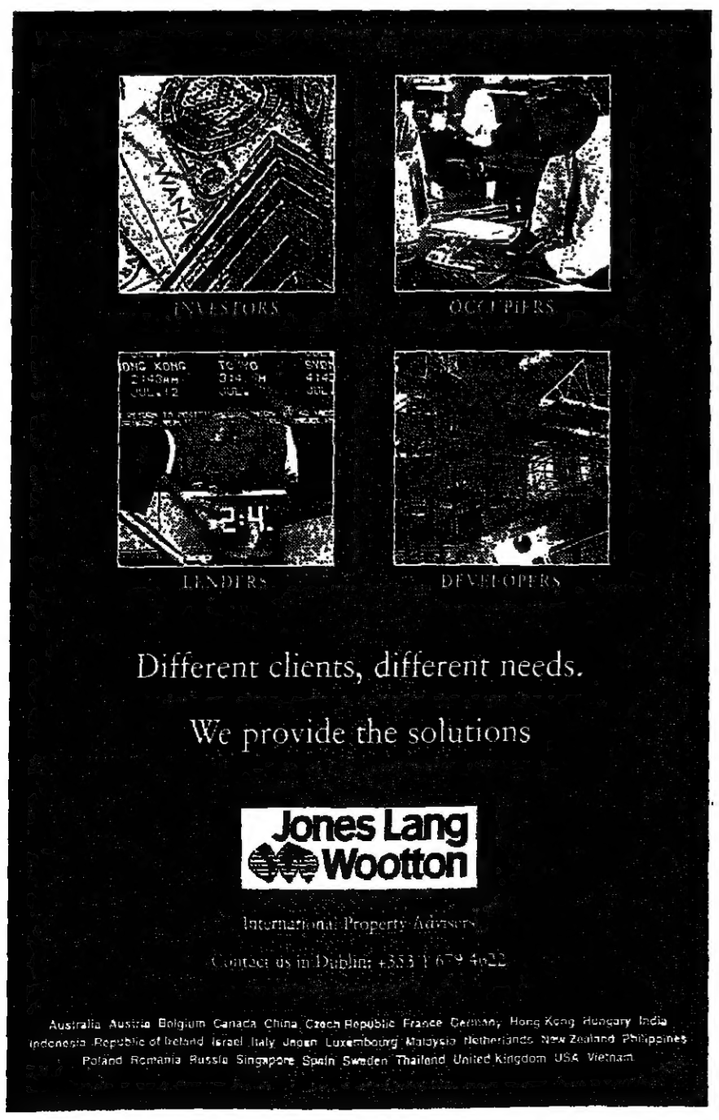
"We started with two second hand machines in the basement of a supermarket my family ran," says Mr Hannick. "At first Asahi were our main customers. They taught us the importance of quality control. People round here had what I call the 'Sure, it'll do' syndrome – things would be done in their way and in their own sweet time. The Japanese changed all that. It was a very valuable lesson."

Killala not only supplies precision turned components to companies, mostly multinationals, in Ireland. The company also exports to the UK, Denmark, the US, Italy and China.

Mr Hannick has strong views about what he sees as the lack of government action on tackling the west of Ireland's problems. "Dublin has a very patronising attitude towards things out here. There is the idea that this region is remote and backward. Yet we have Knock international airport just down the road and Dublin is little more than three hours away by road. With good telecoms we are linked to the world: any feeling of remoteness is in the mind – it's not the reality."

All the workers at Killala Precision's ultra-modern plant wear the same blue uniforms – another idea copied from the Japanese. Workers are also encouraged to participate in courses aimed at improving their self-esteem and focus. "When I tell people in Dublin we are using such techniques to improve work practices they laugh," says Mr Hannick. "Things like that are not supposed to happen in the old-fashioned west. We want people out here to think positively – then anything can be done."

Kieran Cooke



TOURISM • by Kieran Cooke

Postcard landscapes reveal an increasingly mixed picture

The rural B&Bs are telling a very different story from the officials in Dublin

It all depends who is doing the talking. Government officials claim these are great times for Ireland's tourism industry. In 1997 tourist arrivals increased by 7 per cent to more than 5m.

In the first six months of 1998 there was an 11 per cent increase in visitor numbers – Bord Failte, the Irish Tourist Board, is confident its target of an 8 per cent increase in tourist arrivals for the full year will be met.

Yet walk into the bed and breakfasts that crowd virtually every village and town, or visit some of the country's rural hotels, and a different story emerges. People shake their heads grimly and talk of a terrible summer. Statistics produced in Dublin are meaningless – in the country areas, talk is of vacant rooms and empty places at the dining table.

"We know there are regions where the industry's performance has not been so good," says John Brown of Bord Failte. "Tourism is a lot stronger in the east of the country than the west due to better connections through Dublin and Cork and a growing appetite for short, city hopping type holidays. We are now trying to push the business out into the regions – this year the weather has been a key factor which has played against us."

Ireland's many isolated B&Bs are reporting low booking rates

Over the past 12 years the overall performance of the tourism sector has been impressive. This year 5.4m tourists are expected to arrive. In 1986 less than 2m visited. Last year the industry accounted for 6.3 per cent of GNP. Bord Failte estimates that just under 9 per cent of Ireland's workforce is employed in the sector.

"We now have one of the fastest growing tourist industries in the world," says James McDaid, minister for tourism, sport and recreation. "This is the result of unremitting attention to providing visitors with a friendly welcome, accommodation standards of the highest quality, good value for money and a wide range of visitor facilities and attractions."

The question is whether this strong performance can be sustained. In the first six months of this year alone, there was a 15 per cent increase in the number of hotel beds. Holiday villages aimed at the self-catering market have sprung up in far flung outposts of the country. There is talk of a shake-down in the industry.

"Everyone has jumped on the tourism bandwagon and this year has shown the numbers are just not there to fill all the hotels and B&Bs," says one west of Ireland hotelier. "The trouble is that many who visited Ireland this summer for the first time and experienced the terrible weather will just not come back."

The rise in sterling and moves towards peace in Northern Ireland have been important factors in encouraging arrivals from Britain. UK tourist numbers were up by more than 14 per cent in the first six months of this year compared with the same period of 1997. Yet visitor numbers from the European continent fell in 1997 and have only recorded a marginal increase so far this year.

One of the big challenges facing the tourism industry is the EU's proposed abolition of duty-free shopping, due to be enforced next year. Air and sea carriers into Ireland have used duty-free sales to subsidise the cost of their services. They warn that if duty-free is abolished, then fares could rise.

Travel costs across the sea from France and Britain are already high – a summer return for a car with four passengers on the Holyhead in North Wales to Dublin route can cost more than £400. Any further increase would be likely to deter many potential tourists.

Aer Rianta, the state-owned airports authority, is now the third largest operator of duty-free shops in the world, managing outlets ranging from Beijing to Moscow to Bahrain. It says landing charges at Ireland's main airports are among the lowest in Europe, with duty-free sales a vital factor in keeping costs down.

John Burke, Aer Rianta's chief executive, says the proposed abolition of intra-EU duty-free sales is a matter of serious concern. "There are no benefits to anybody in destroying this successful industry," says Mr Burke.

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BANKING • by John Murray Brown

At risk from the cherry pickers

The sector's recent successes bring with them the threat of foreign predators

More than any other sector, banking has benefited from Ireland's recent extraordinary economic performance. But the picture going forward is less certain.

With the launch of the European single currency, the bigger banks – Bank of Ireland and Allied Irish Banks – seem confident they can survive with their strong domestic franchises.

The two banks are in fierce competition "in every product, in every town, in every high street". But a number of foreign banks – BNP and Barclays, for example – are already present as niche operators in the home market. With the growth of e-commerce and banking on the internet, the pressure on domestic operators seems certain to increase.

"The real danger is from foreigners cherry picking, as we do in the UK," says David Holden, of Bank of Ireland, the second largest bank with assets of £38bn. AIB has assets of around £40bn.

At home, the established banks are already under pressure from insurance companies, building societies and increasingly from large retailers.

Net interest margins continue to diminish. To offset this, the focus of the larger banks has been to increase fee-based income. AIB, for example, has a successful £28bn asset management business, which is not fully reflected in its balance sheet.

The last spate of consolidation in the Irish banking industry was back in the 1960s when Bank of Ireland was created out of the merger with National Bank and Hibernian Bank and AIB was formed from an alliance between Munster & Leinster, and the Provincial & Royal.

The market is remarkably concentrated with Bank of Ireland and AIB – each with around 300 branches – accounting for 40 per cent of deposits. Ulster Bank – a wholly owned subsidiary of Nat West – is the third largest. Indeed it now derives over half its earnings from its operations in the Irish Republic as opposed to Northern Ireland. Irish Permanent – the former mutual which privatised in 1994 – is gaining ground. Anglo Irish Bank is a niche operator lending to the corporate sector. Anglo Irish has had a big appetite for capital over the years, returning to shareholders a number of times. However, capital ratios are now improved, although analysts point out much of its loan book is secured on property. A property slump could hit it badly.

As for the state-owned banks, Charlie McCreevy, the finance minister, has given the go-ahead for the sale of Industrial Credit Corporation. The government has signalled it favours a merger of Agricultural Credit Corporation and TSB – the old Trustee Savings Bank. Oliver O'Shea, banking analyst at Goodbody stockbrokers, believes that if it were then to float, the merged bank could be worth as much as £700m.

In 1998, there was one black spot with the ongoing row over National Irish Bank, the subsidiary of National Australia Bank, which has had a fairly torrid time following an RTE investigation into over-charging.

Shane Nolan, banking analyst at NCB stockbrokers, thinks the outlook is much rosier. The euro will nonetheless pose a short-term problem for Irish banks – as it will for all banks in the new eurozone.

The cost of introducing notes and coins – and the accounting and back office tasks involved in that exercise – will be considerable. For the first two years, statements will continue to be provided in two currencies. The loss of foreign exchange business once the Irish pound is part of the eurozone is estimated at around £20m a year. If sterling is eventually to join, Irish banks would incur a further £30m loss.

Mr Nolan says there will be some squeeze on wholesale margins, as the euro prompts the convergence of rates with those in continental Europe. Anglo Irish Bank is probably less exposed than other banks to margin pressure from the fall in interest rates, as it is already paying the best rates.

A bigger challenge for the banks will come as Irish institutions, traditional buyers of the Irish banks' equity, look to diversify their portfolios as they no longer have to match their Irish liabilities with exclusively Irish assets. In the eurozone, all the markets of the participating countries are in effect "domestic".

Mr Nolan says: "In periods of stock market weakness, the big Irish institutions have traditionally been big buyers of Irish stocks, but not this time."

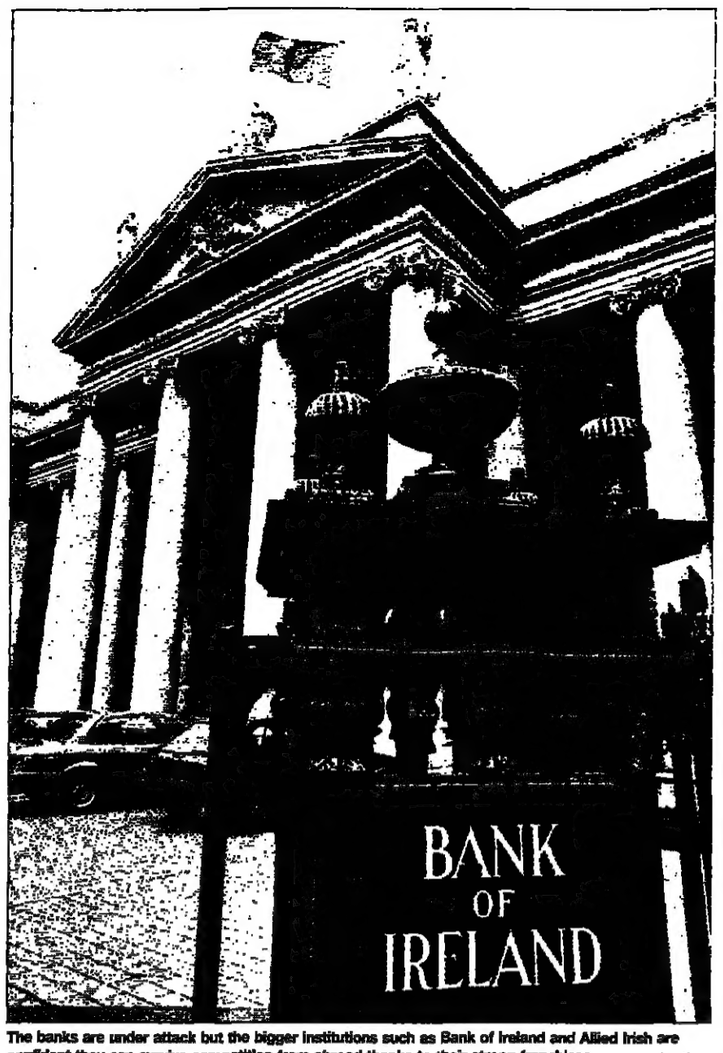
But he insists Irish banks represent good value. Ratings are still at a discount to pan-European levels. Ireland enjoys a uniquely favourable demographic profile. The labour supply is rising. The number of first-time buyers in the housing market is increasing. Social changes – with children leaving home earlier, and forming households at an earlier age – provide additional opportunities for lenders.

A big bonus will be the changes in corporate tax agreed with Brussels by Mr McCreevy. The introduction of a standard 12.5 per cent tax rate after 2003 – the current preferential rate of 10 per cent applies only to manufacturing and not to banks – will have the effect of raising earnings per share by as much as 6 per cent, according to NCB.

Moreover, the larger Irish banks have little or no exposure to emerging markets. Allied Irish Banks has an operation in Poland. But Tom Mulcahy, chief executive of AIB, says Poland has many of the characteristics of Ireland in the 1980s.

Of Bank of Ireland's total loan book, 60 per cent is lending to the residential market, in the wake of the acquisition of Bristol and West in the UK. This is considered the least risky of businesses.

Some analysts believe Bank of Ireland is a likely acquisition target. It has UK operations. Thus for a UK predator, the synergies would provide some opportunity for cost-cutting. But as one senior director of the bank says: "The best defence against a takeover is to perform our socks off."



The banks are under attack but the bigger institutions such as Bank of Ireland and Allied Irish are confident they can survive competition from abroad thanks to their strong franchises Alan Horton

PROFILE Kieran McGowan

Potency of investment

Few countries are in the lucky position of having to ration the inflows of foreign investment. But such are Ireland's attractions as a location, that under the recently signed accord on corporation tax, the European Commission has had to set a quota for the next five years in a bid to provide an orderly transition to the new rate.

At one level the issue is technical. Investors are presented with an incentive to sign up and take advantage of the existing 10 per cent rate or they can wait until the new 12.5 per cent rate is implemented in 2003.

But the story is also a striking illustration of Ireland's investment effort, which for the last five years has been spearheaded by Kieran McGowan, who retires this year as head of the Industrial Development Agency, the government's promotion body.

Tax, he admits, is the most important part of his armoury. "The agreement was vital because it took away a lot of the uncertainty. Companies do not like uncertainty," he says. The low tax rate is particularly crucial for drugs companies which typically enjoy high margins, but need to reinvest much of their profits in research and development for the next generation of products.

The village of Ringaskiddy in County Cork is probably heartily sick of the fact, but it is here that Pfizer, the US company, is manufacturing one of the key ingredients of the Viagra anti-impotence drug. Indeed such has been the world demand for the product that latest export figures show that chemicals shipments have doubled in the last year.

But Ireland has concentrated on the high growth, high technology sectors such as electronics, computers, healthcare and financial services.

Overall, IDA-backed companies account for 75 per cent of manufacturing exports, 55 per cent of manufacturing output and 45 per cent of manufacturing employment.

In electronics, Ireland now draws 40 per cent of all US investment in the European Union. In the fast growing teleservices sector, Ireland is the most popular location for pan-European call centres. The IDA's success underlines that Ireland's peripheral location in the single market is no handicap – it may be an advantage.

Separately, the Dublin docklands has become a hub of financial services providing back office facilities for banks, corporate and treasury operations and lease finance and insurance.

Geography, it seems, is less important for investors than demography, with Ireland's labour force, which is increasingly well educated, growing while in many European countries it is shrinking.

With Ireland accounting for one out of every 10 new jobs in the European Union, there have inevitably been shortages in some sectors, particularly software engineering.

"It's tight everywhere. But our relative position hasn't changed," says Mr McGowan.

It has not all been fair sailing. Seagate Technologies, the US disc drive manufacturer, closed its Tipperary plant in December, with the loss of 1,100 jobs in Clonmel, a town of just 20,000 people. In many ways Seagate was an example of a much earlier type of "screwdriver" investment, deploying low skills. Mr McGowan also says the plant had "mopped up a lot of people who had never had a job".

But the closure underlined the danger of small provincial towns being over-dependent on single investors – particularly in the volatile electronics sector.

The issue of regional dispersal will be even more important in the context of the Northern Ireland peace deal where cross-border initiatives may become part of the job of the respective investment agencies.

"We're already co-operating to discourage companies from border-hopping," he says, referring to the practice of companies who try to play off one agency against the other to wring the best terms. But he says in some ways the two regions are complementary. Ireland has targeted the US where fast growth companies need low tax in order to improve their earnings profile to shareholders. Northern Ireland has been far more successful in luring Asian companies, where the security of grant money up front is the crucial issue.

John Murray Brown

SKILLS • by John Murray Brown

An enterprising view of education

The government is keen to balance vocational training and study for study's sake

The youngest member of Bertie Ahern's cabinet has probably made more of an impact than most of his older and more experienced colleagues.

The 37-year-old Micheál Martin is minister for education and science – a key portfolio at a time when industry is looking to the school and university system to meet its rapidly growing labour needs.

The son of an Irish boxing international, Mr Martin is the only Corkman in the cabinet. Some see him as a future leader of Fianna Fail.

His task at education is a daunting one. At a time when the economy is expanding by 8 to 9 per cent a year, Ireland's ability to meet the needs of multinational investors will determine whether the recovery is sustainable.

The previous government was advised it would need to spend £250m over three years to meet the skills shortfall. Mr Martin has increased the budget fivefold.

Within days of the election in 1997, he had announced a £25m emergency package to create additional places on teleservices courses, which prepare students for call centre work. A taskforce involving business and government agencies was established in a bid to anticipate skills bottlenecks. The body is headed by Chris Horn, chief executive and founder of Iona Technologies – a computer company started on the campus at Trinity College in Dublin and now listed on the Nasdaq small companies exchange in the US.

Mr Martin and his Progressive Democrat colleague Mary Harney, the deputy prime minister and minister for enterprise and employment, then announced the creation of a three-year £250m fund for the technology sector – one of the largest government initiatives ever undertaken.

"We need to convince young people and their parents that technology offers good career prospects. This year we've sent videos into every secondary school to explain what life is like as a technician. There's some evidence that more people are choosing the science and technology courses," says Mr Martin.

In software engineering – where there are already signs of labour shortages – it is estimated Ireland will need to provide 1,000 additional places a year. A further 750 places for engineering technicians is also forecast. Mr Martin is confident as a result of the recent initiative that those needs will be met.

As part of the programme, Mr Martin is hoping to attract "non-standard" students – many in their late 20s or even late 30s who may have been out of work – to take up courses as technicians.

The national certificate of manufacturing and technology is one of Mr Martin's innovations. The course took on 300 "non-standard" students this year. It is an 18-month long programme, and industry guarantees a six-month placement for each student. Industry drew up the syllabus together with the technical colleges.

Indeed the links between business and the third level colleges are intensifying all the time. Many of the foreign-owned multinationals will liaise directly with the colleges in a bid to shape the curriculum to their needs and head-hunt the best graduates.

"Take the business information systems course at University College Cork – they will all have job offers in their third year," says the minister.

"There is an old argument that universities are not there to serve industry – they're there to serve education. I'm a bit impatient with that argument, because I have a humanities background myself," he says.

Nonetheless, he says there has been little resistance from the universities to his plans. Indeed, when in opposition, it was his contacts in the universities who kept him informed of the problems.

"We're not scuttling the history department or the Spanish course. But the world changes and the universities have to reflect that change as well."

Micheál Martin has thrown energy and a big budget behind promoting vocational training to meet the skills shortfall Collins, Dublin

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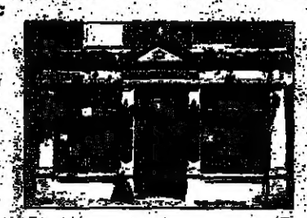
A VISITOR'S GUIDE TO DUBLIN by Michael O'Sullivan

A sight more than pub-dodging

In James Joyce's *Ulysses*, the protagonist, Stephen Dedalus, muses on how challenging it would be to cross the city of Dublin from one side to the other without passing the doors of a public house. While the pub remains the nucleus of social life in the city, its nature has changed somewhat since Dedalus posed his conundrum in 1904. Before taking up the gauntlet of that interesting challenge, the visitor will need a bed for the night.



"The most distinguished address in Dublin" is how The Shelbourne Hotel on St Stephen's Green describes itself. Such a boast is justified not by Dublin's rapidly spiralling property prices but by tradition. Thackeray stayed here in 1842. It has what many regard as the best bar in Dublin, the Horse Shoe, skillfully and discreetly run by Sean Boyd who is father confessor to the elite of the capital's drinking classes. On any one evening one may encounter a cabinet minister, a resident rock or film star and the flotsam and jetsam of city society. The hotel also has one of the city's best spots for a casual lunch – The Shelbourne Bar (tel: 6766471), which serves delicious Irish oysters, smoked salmon and Dublin Bay Prawns and Guinness.

Other city centre hotels of character include The Merrion (off Merrion Square, tel: 6030600), formerly the town house of the Duke of Wellington's family. Furnished in the manner of an 18th century town residence it serves by far the best afternoon tea in Dublin. It also houses Restaurant Patrick Guilbaud (tel: 6764192), the city's only two star Michelin establishment. A loyal regular clientele suggests that the accolade is well deserved.

The Clarence (Wellington Quay, tel: 6709000) is the trendiest of the recently refurbished hotels and has a superb restaurant, the Tea Rooms. The visitor seeking a small, discreet and charming pension would be well advised to stay at Trinity Lodge (South Frederick Street, tel: 6795044).

Ireland's economic boom has facilitated the opening of dozens of so-called "upmarket restaurants". The head porter at any hotel will furnish the details.

However, if you seek the tried and trusted, sample Cafe Hanti (Pembroke Road, tel: 6684130) which is frequented by at least two former prime ministers and offers old fashioned, reliable French cuisine. *La Mere Zee* (St Stephen's Green, tel.: 6616669) offers very good Belgian food with an Irish twist.

One of the most entertaining places for dinner is The Pembroke Restaurant (over the pub of the same name on Pembroke Street, tel : 6762449). Here almost anything can and invariably does happen. Margaret Hyland, the chief proprietor entertains politicians, writers and film stars. It's not unusual for her to lead the diners in an Irish ballad as the evening progresses. Some who come for lunch have been known to stay for dinner.

Fortified with food, the more robust of spirit may seek out the city's nightlife. The four top night-spots are: Kavanagh's (South Frederick Street) – a quiet word with owner Robbie Fox should secure a place in the upstairs VIP bar; Lillie's Bordello (Grafton Street) but only drink is for sale; The P00 (Harcourt Street) is the preserve of the young and trendy; and finally The Kitchen (at the Clarence Hotel), owned by U2 and frequented by the music and fashion set.

Having survived even a modest sampling of the above, seek next day recovery in the wood-panelled atmosphere of Doheny Edwardian drinking establishments – and reflect on your failure to rise to young Dedalus's challenge.

FASHION • by Michael O'Sullivan

Draw of the Celtic catwalks

Irish designers are winning world acclaim, but high streets are being slow to catch on

"Celtic chic" and "Gaelic Glam" are among the most regular buzz words invoked to describe the recent transformation undergone by the Irish fashion industry.

For so long restrained by the image of comely maidens dancing in what was misrepresented as "traditional" dress, the Irish fashion industry has emerged to take a strong position in the world market.

It has been a difficult rite of passage from frumpy designs favoured by the hefty wives of provincial politicians to the undisputed elegance now emerging from the sketch pads of Irish designers and gracing the wardrobes of the Hollywood elite.

> The revered queen of Irish fashion is knitwear designer Lainey Keogh

The recent "Fifty Years of British Fashion" exhibition at the Victoria & Albert museum in London included several Irish designers. John Rocha, though of Sino-Portugese descent, was named British designer of the year in 1993.

Industry sources say Ali Malek, another designer who works out of Ireland, has the potential to achieve world class status in the very near future. He already counts Tina Turner among his customers.

The recent upturn in the Irish economy has not yet been a bulwark of support for established or emerging Irish designers. Over 75 per cent of clothing sold in Irish retail outlets is imported. The increased spending power of those benefiting from better times in Ireland is not finding its way into the coffers of native fashion houses.

Rather oddly the foundlings and street-waif-rejects of the Celtic tiger, the fashionable nickname for Ireland's booming economy, have been used in fashion shoots by magazines such as *Vogue* as perfect foils for the sumptuous work of international fashion houses. Frank Stanley of Makullas, one of Dublin's largest independent clothing retail outlets, says "the ongoing English re-colonisation of the Irish high-street naturally gives more market penetration to foreign designers to the detriment of their Irish counterparts".

Others say the high quality of workmanship in the creations of the principal Irish designers places them outside the reach of the majority of high-street shoppers.

"On the catwalk," says Frank Stanley, "it's Lainey Keogh, Paul Costelloe, Louise Kennedy and Philip Treacy but on the streets its Hobo and Irish Diesel".

These four designers dominate the top end of the Irish couturier market with Costelloe having the largest market share.

They are the inheritors of a tradition established by Sybil Connolly in the 1950s. Miss Connolly, who died this year aged 78, made the Irish Aran knit a worldwide fashion success, dressed Jackie Kennedy when she was First Lady and went on to design china and crystal for Tiffany's. She is credited with creating a fashion awareness in Ireland that brought things beyond the decayed gentrified realm of "Dior and dogs dinners".

John Rocha has captivated critics with his elegant silk designs AP

The undisputed queen of Irish fashion is knitwear designer Lainey Keogh. Her client list includes Elizabeth Taylor, Demi Moore, Isabella Rossellini, Marianne Faithfull, John Hurt, Bono, Kevin Costner and John Boorman. It was Lainey Keogh who sent Naomi Campbell down a London catwalk in a green sheer crochet dress which revealed half of the supermodel's right breast.

That same show, masterminded by Isabella Blow, launched the career of Sophie Dahl, grand-daughter of the writer Roald Dahl. Miss Dahl, a voluptuous size 16, was quite a risk for any designer to use as a model.

But Lainey Keogh's willingness to take risks is part of her genius, as when she uses new technology to mix traditional materials with new. Her hand-woven fabrics caught the eye of John Galliano and were used for Dior's couture collection which was presented in Paris in July.

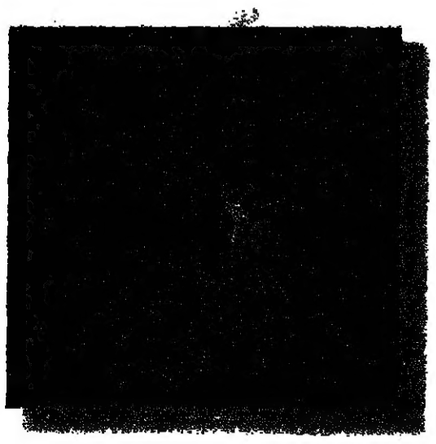
Working out of a large bright studio in Dublin's Dawson Street, Keogh has a loyal dedicated staff who interpret instructions delivered in what her friends call "Lainey-speak".

She refuses to engage in the argot of the trade preferring instead to use her own blend of Celtic and Eastern spiritualism which some say has the potential to become as much a fashion accessory as her award-winning designs.

She believes, rather like Jill Tweedie, that one can ban the bomb in a feather boa just as effectively as without.

Keogh together with Rocha, Kennedy and Treacy now service niche markets in the UK, continental Europe, Japan and the US. They have done much to banish the old fusty reputation of Irish fashion while boosting the value and image of Irish exports.

A spider can instantly identify the slightest variation on its web...



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